



Final Report 96-CH-201-1809

on

Review of the Detroit Housing Department

Submitted To:

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and Troubled Housing Recovery

Submitted By:

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Executive Summary

We completed a review of the Detroit Housing Department. The Secretary of HUD requested the review to determine if the Housing Department was complying with its agreements with HUD, and initiated actions to eliminate longstanding problems. HUD signed a Memorandum of Agreement with the Department on July 1, 1995 and the Secretary and Mayor of Detroit signed a Partnership Agreement on December 15, 1995 to guide the Housing Department toward meeting HUD's goal of providing decent, safe, and sanitary housing. The objective of our review was to assess the Department's compliance with the Agreements and evaluate the actions taken to eliminate problems that have been reported in past HUD reviews and consultant reports.

The Department is addressing its Agreements with HUD and has initiated or has planned actions to correct the problems identified in HUD reviews and consultant reports. However, most of the actions have future target dates for completion. In the past, the Department promised actions to correct problems but did not follow through on them, and HUD did not compel corrective actions. For the Housing Department to meet HUD's goals for public housing, it needs to follow through on the actions it has initiated or has planned.

Problems Identified in Past HUD Reviews and Consultant Reports

Separation from the City. The City Council approved a transition plan on March 15, 1996 to make the Department a Housing Commission separate from the City. The separation is scheduled to occur on May 22, 1996.

Vacancy Reduction Program. The Department has taken action to implement a vacancy reduction program. The Department has developed a plan and implementation schedule for its program.

Maintenance Procedures. The Department implemented a preventive maintenance program on July 10, 1995 and a work order system on January 9, 1996. The Department is in the process of reassessing its staffing patterns and developing plans for site based maintenance initiatives. Further, it is developing standards to evaluate maintenance personnel job performances.

Obligation and Expenditure of Funds. At the time of this review, the Department had developed a five-year capital plan for modernization. On January 5, 1996, it contracted to have marketability studies prepared for its developments. The Department now has obligated 60 percent of the Comprehensive Improvement Assistance and Grant Program money available to it.

Inspection Procedures. On January 1, 1996, the Department issued new inspection procedures. The inspection procedures outline performance standards for conducting annual housekeeping inspections of tenant units.

Admission Procedures. The Department issued new admissions and continued occupancy policies and procedures on February 1, 1996. The new procedures incorporate intensive screening of potential applicants that include background checks and home visits.

Eviction Process. The Department developed new eviction procedures that are included in the Department's rent collection policies and procedures. The new rent collection policies are currently in the approval process.

Contracting Procedures. The Department followed proper procedures when awarding contracts; however, it needs to find ways to increase the number of participants for its bids, prepare costs estimates for service contracts and document its monitoring of contracts.

Purchasing Procedures. Changes have been made to improve the purchasing process. In November 1994, the Department created its own purchasing division. In May of 1995, the Detroit City Council raised the Department's authority to approve purchases from \$5,000 to \$25,000. On February 5, 1996, the Department hired an additional purchasing agent. HUD and the Department were developing revised procedures to ensure Section 3 requirements are included in all contracts.

Accounting System. The Department is in the process of implementing a new accounting system, the Memory Lane Software System. The new system, when implemented, should make the Department's accounting function independent of the City of Detroit. Implementation and all training are planned to be completed by June 30, 1996.

Vendor Payments. The Department hired a consultant to review the payment process. The consultant is writing procedures to effectively handle vendor payments. The new procedures are scheduled to be delivered at the end of April 1996. Separation of the process from the City is the

key to quicker payments. The separation is scheduled to occur on May 22, 1996.

Tenant Accounts Receivable. The Department has developed new rent collection policies and procedures, developed a new resident repayment program, and is in the process of obtaining a credit bureau.

Inventory Procedures. On February 21, 1996, the Department selected a contractor to develop materials and fixed assets inventory systems, including methods, policies, and procedures. The systems will incorporate the Memory Lane software that is being implemented.

Personnel Procedures. When the Department separates from the City on May 22, 1996, it should get the autonomy needed to improve its personnel functions. The Department has hired a consultant to write new job descriptions that will be specific to the operation of a housing commission. The consultant will also write performance standards for each job category. The Department has improved communication between its staff and management by holding meetings and publishing a periodic newsletter. The Department has emphasized training and significantly increased training expenditures.

Management Information System. The Department created a Management Information Systems Division in November 1994 and a Management Information Systems Committee in September 1995. In June 1995, the Department developed a management information systems plan. The plan updates requirements and includes strategies to install an integrated financial management system by March 1997.

Security. In early 1995, the Department created and staffed a Public Housing Support Section. Additionally, in May 1995, the Department developed a written security plan and is in the process of implementing it.

Suggestions to Improve

We recommend the Department follow through on all the actions it has initiated and planned so that it meets the target dates included in its Agreements with HUD. We also recommend that HUD closely watches the Department's progress, provides the Department any technical advice and

assistance needed on a timely basis, evaluates actions to determine if the actions have eliminated the problems they were designed to correct, and takes steps to revise ineffective actions. Further, we recommend that HUD seek receivership for the Housing Department, if the Department and the Detroit City Council do not demonstrate the will or capacity to follow through on their Agreements with HUD. Appendix B contains a listing of all the specific recommendations we included in the report.

We presented the draft chapters included in this report to the Executive Director of the Detroit Housing Department during the audit. We held an exit conference with the Department on April 24, 1996. The Department provided written responses for each chapter. The Department's comments are included in their entirety with each chapter.

The recommendations in this report will not be formally controlled in HUD's Audits Management System. However, we will follow up on the recommendations later this year after the Housing Department has an opportunity to complete many of their actions.

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Introduction

The Detroit Housing Department was established to develop, acquire, and operate low rent housing programs. The Detroit Housing Department is currently a department of the City of Detroit. The Department was originally established as a Housing Commission in 1934. On July 1, 1974, the City made the Commission a city department when the Mayor of Detroit executed an executive organization plan.

As part of the City, the Housing Department follows the City's administrative policies and procedures in the operation of its programs. These administrative policies and procedures affect all facets of the Department's operations, like personnel matters, purchasing, and accounting.

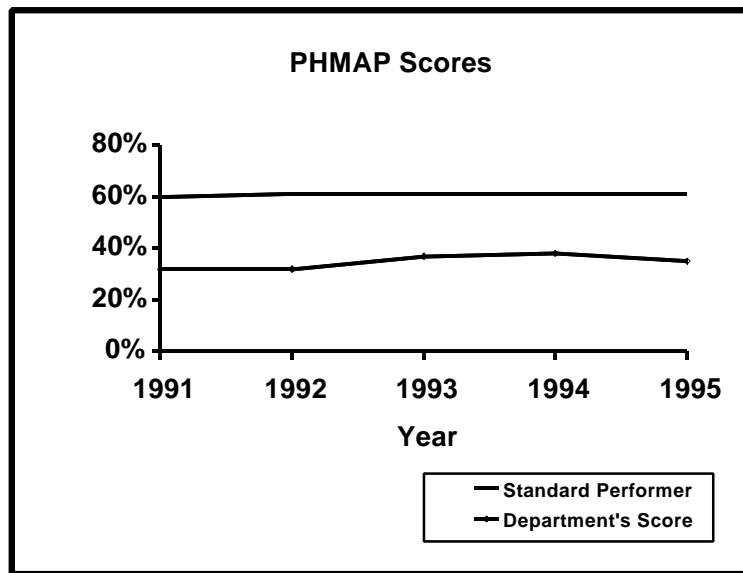
The Detroit Housing Department currently owns and operates 9,007 public housing units. It has plans to demolish 3,835 units and replace approximately 2,328 units. The Department also operates a Section 8 program consisting of 2,004 units.

The Housing Department received \$47.89 million in HUD operating subsidies over the last two years. HUD has also approved the Department for the following additional funding:

Source of Funding	1994	1995
Comprehensive Grant	\$ 31,693,516	\$28,473,223
HOPE IV (Urban Revitalization)	50,000,000	47,620,227
Major Reconstruction of Obsolete Projects	19,578,300	
Vacancy Reduction Program	<u>16,618,750</u>	<u> </u>
Total Additional Funding	<u>\$117,890,566</u>	<u>\$76,093,450</u>

Since 1992, HUD has given the Department over \$257 million for the above programs.

HUD, the Detroit Housing Department, and the Detroit Mayor's office have known about the problems at the Detroit Housing Department for many years. However, until very recently, they have not taken effective actions to make significant improvements. Historically, the Detroit Housing Department has been extremely resistant and slow to take corrective actions sought by HUD. HUD's files and the consultant reports show that many problems at the Detroit Housing Department were caused or aggravated by the fact that the Housing Agency was a City Department. The Housing Department has been subjected to ineffective and bureaucratic City systems, as well as political interference by City Officials. HUD classified the Housing Department as operationally and financial troubled in 1979. It has remained a troubled housing agency since then. As shown by the following chart, the Department has consistently scored in the 30 percent range for the Public Housing Management Assessment Program when 60 percent is required to be a standard performer:



To address these long standing problems, HUD signed a Memorandum of Agreement with the Department on July 1, 1995 and the Secretary and Mayor of Detroit announced a "unique partnership" between HUD and the City on December 15, 1995. In accordance with the December 15th Partnership Agreement, the Detroit City Council passed an ordinance on March 15, 1996 to eliminate the Detroit Housing Department on May 22, 1996 and transfer its functions and staff to the Detroit Housing Commission.

The Memorandum of Agreement established performance goals for the development of management systems and programs for treating the severely distressed developments. It also targeted the following areas for improvement: vacancies; modernization; uncollected rents; unit turnaround; outstanding work orders; annual unit inspections; tenants' accounts receivable; operating reserves; and rehabilitation of units. Under the terms of the Partnership Agreement, HUD and the City have agreed to:

- prepare a separation plan and separate the Department from the City government;
- accelerate plans to renovate and modernize Jeffries Homes;
- revise the existing master schedule to accelerate plans to renovate and modernize Parkside Homes;
- develop a Major Rehabilitation of Obsolete Projects proposal for expeditious revitalization of Herman Gardens Homes;
- identify implementation tasks for inclusion in the Memorandum of Agreement. Develop a strategic plan and establish program and performance measures for security, maintenance, management, finance, vacancy reduction, and unit turn around;

- complete site-based management plans that include site-based budgeting and maintenance;
- establish performance measures for the vacancy reduction plan. The performance measures are to be linked to the expenditure of vacancy reduction funds; and,
- the Department shall review sites and prepare proposals for alternative management options and a schedule to implement the proposals at two target sites on a pilot basis.

As noted in this report, the City and Department are both actively working toward meeting the terms in the Memorandum of Agreement and Partnership Agreement.

Review Objective

The objective of the review was to determine whether the Detroit Housing Department was taking actions to comply with the terms of its Memorandum of Agreement and Partnership Agreement and to address the longstanding problems reported in consultant reports and HUD reviews.

Scope and Methodology

Our review assessed the actions taken by the Department between July 1, 1995 and March 31, 1996 to correct the problems. The period was extended as necessary. We did on-site work from January through March 1996. We interviewed HUD personnel working with the Department, Consultants hired by the Department, contractors, and the Department's own personnel to determine the Department's procedures and assess actions taken or scheduled. To assess the progress and quality of the Department's actions to address its agreements with HUD and problems identified in past reports and reviews, we reviewed the following:

- HUD monitoring reports
- Consultant studies
- The Detroit Housing Department's 1995 Comprehensive Plan for Modernization
- Public Housing Management Assessment Program records
- The July 1, 1995 Memorandum of Agreement
- The December 15, 1995 Partnership Agreement
- Department and City Personnel Records

- Job descriptions, employee qualifications, training records and schedules, and training expenditures
- Contracting and purchasing procedures, bid and contract award documents, requisition status reports,
- Inspection records, inventory records and work orders
- Policies and procedures for vacancy reduction, rent collection, tenant screening, evictions, and security
- Organization chart, communication procedures
- Management information system modules
- Demolition plans, unit rehabilitation and project modernization plans and schedules
- Vendor payment status reports, and accounts receivable reports

We provided a copy of this review to the Mayor of the City of Detroit and the Executive Director of the Detroit Housing Department.

Agreements With HUD

Previous HUD and consulting reviews conducted on the Detroit Housing Department repeatedly identified problems that existed for many years. The problems caused the Department to be classified as a troubled housing authority and resulted in it not meeting HUD's goal of providing all tenants with decent, safe and sanitary housing. In the past, HUD, the Department, and the Detroit Mayor's Office knew of the problems but did not take adequate action to correct them.

To address the long standing problems, HUD signed a Memorandum of Agreement with the Department on July 1, 1995 and the Secretary and Mayor of Detroit announced a "unique" partnership between HUD and the City on December 15, 1995.

Observations

Memorandum of Agreement. The Memorandum of Agreement established performance goals and target completion dates for the development of management systems, operating procedures and programs to start the Department on the road to recovery. The Agreement listed the following areas for improvement: vacancies, modernization, uncollected rents, unit turnaround, outstanding work orders, annual unit inspections, tenants' accounts receivable, operating reserves, and rehabilitation of units. All actions are scheduled to be completed by December 31, 1996.

On March 1, 1996, the Detroit Housing Department was in compliance with the Memorandum of Agreement and was meeting the target dates for completion of individual tasks. However, HUD was also in the process of revising the Memorandum of Agreement. The Director of Public Housing in HUD's Michigan State Office said the revised agreement will be completed by April 15, 1996. The revision is necessary to make the Agreement more substantive and align the priorities with the Partnership Agreement. The completion date for all tasks in the revised agreement will be June 30, 1997.

Partnership Agreement. The December 15, 1995 Partnership Agreement outlined critical areas that the Secretary and Mayor agreed needed immediate attention for the Department to quickly establish an effective housing program. The Department has met the overall specific actions of the partnership agreement, as explained below:

- Prepare a separation plan and separate the Department from the City government.

The Detroit Housing Department submitted a separation plan known as the transition plan to the City Council on January 31, 1996. On March 15, 1996, the Council passed an ordinance that will implement the plan. According to the plan, the Detroit Housing Department will be eliminated on May 22, 1996 and the public housing functions and its staff will be transferred to the Detroit Housing Commission. Michigan law, as currently enacted, does not permit any housing commission to be totally independent or autonomous from the municipality which the commission is to serve. However, the City can delegate its functions. With the City's concurrence to delegate its functions, the transition plan will allow the administrative separation and creation of a more autonomous Housing Commission. The Commission will have to work out the details of the transfer with the City to ensure all personnel functions are transferred to the Commission to the maximum extent possible considering legal requirements and labor management agreements.

- Accelerate plans to renovate and modernize Jeffries Homes.

The Detroit Housing Department prepared a master schedule for the expeditious revitalization of Jeffries Homes. The schedule provides for: market analysis and reuse planning; vacancy consolidation; relocation of families; securing vacant buildings; completion of a supportive services strategy; development of a revitalization master plan; submission of demolition plans; and submission of relocation plans. According to the schedule, the Department plans to demolish five high rise buildings with 1,438 units and complete renovation of 456 units by the summer of 1998, and construct 370 new units by the summer of 2000.

- Revise the existing master schedule to accelerate plans to renovate and modernize Parkside Homes.

The Detroit Housing Department revised the master schedule and accelerated management components to the greatest extent reasonable. HUD's representative said he believes architectural and engineering work is proceeding as expeditiously as possible while still assuring quality. Rehabilitation work is planned to start by June 1996 with all units completed by 1999.

- Develop a Major Rehabilitation of Obsolete Projects proposal for the expeditious revitalization of Herman Gardens Homes.

The Department completed a Major Rehabilitation of Obsolete Projects proposal for Herman Gardens Homes on March 1, 1996. Herman Gardens currently has 1,573 units. Under the proposal, Herman Gardens will have 870 renovated or reconfigured units and the remaining units will be demolished. The proposal is estimated to cost approximately \$46.4 million. Construction is targeted to start by the fourth quarter of 1996 but is subject to fund availability. With a fourth quarter start, the Department expects to have all work completed by 2001.

- Identify implementation tasks for inclusion in the Memorandum of Agreement. Develop a strategic plan and establish program and performance measures for security, maintenance, management, finance, vacancy reduction, and unit turn around.

HUD and the Department are in the process of revising the Memorandum of Agreement. The revised agreement is expected to be completed by April 15, 1996. It includes performance measures for security, maintenance, management, finance, vacancy reduction, and unit turn around. The Department's plan for separation from the City also serves as its strategic plan. The plan includes strategies that will improve the Department's budget process, financial systems, procurement process, management information systems; human resource functions; legal procedures; and resident participation.

- Complete site-based management plans that include site-based budgeting and maintenance.

The Department developed its site-based management plans during January and February 1996. The focus of the plans is to empower property managers and improve the delivery of service to residents. The plans include detailed steps to accomplish a site-based management concept during 1996 and 1997. The plans are scheduled to be fully implemented by June 30, 1997.

- Establish performance measures for the vacancy reduction plan. The performance measures are to be linked to the expenditure of vacancy reduction funds.

Performance measures for vacancies and vacancy reduction are included in the revised Memorandum of Agreement. The Department's vacancy reduction specialist was working with the Michigan State HUD Office to establish linkage of the expenditure of vacancy reduction funds with the performance measures.

- The Department shall review sites and prepare proposals for alternative management options and a schedule to implement the proposals at two target sites on a pilot basis.

The Department proposed two alternative management options: (1) private management under the direction of the Department, a Resident Management Corporation, or a Non-profit community organization; and (2) Resident Management Corporations either directly managing a site or in a joint venture with a private management firm. The Department also identified Parkside and the scattered site developments as the two pilot sites. The Department will develop a request for proposal to identify management entities to implement the proposed management options by June 30, 1996.

We recommend HUD assures the Department follows through on all the actions it has initiated and has planned to meet the targets in the Agreements. We also recommend that if the Department and City do not

follow through to meet the agreed upon targets, HUD seeks a receiver for the Department.**Management's Comments**

The Detroit Housing Department negotiated, in good faith, with HUD and signed an ambitious Memorandum of Agreement on July 1, 1995. Both parties recognized that the goals accomplished represented a significant improvement, but would not likely remove the Department from the "troubled" list. The Detroit Housing Department recognized the need to gain greater independence from city government and made great strides in beginning a functional independence plan in Management Information, Procurement, Finance and Personnel. A separate and independent computer system was established at the Detroit Housing Department. In-house procurement functions were set up with an exceptionally experienced former director of the City's purchasing department directing these functions. Greater independence was also obtained by getting City Council to waive review of contracts under \$25,000. Additional appointive positions were approved to expedite obtaining qualified management level staff. High level meetings were held to address Detroit Housing Department staffing needs and agreements were reached between the Detroit Housing Department and the City's Human Resources Department.

Coopers and Lybrand did an independent assessment in November, 1995 and concluded that the Detroit Housing Department was in compliance with the Memorandum of Agreement, but recommended that the Agreement be modified to provide more quantifiable measurements, that the Detroit Housing Department be more separate from city government and that a special team be assembled of HUD and City staff to expedite the process to accelerate recovery. The Detroit Housing Department negotiated, in good faith, a Partnership Agreement, on December 15, 1995, which was far more ambitious than the Memorandum of Agreement and for a much shorter period of time. With the cooperation and support of HUD's representative in the Partnership, the terms of the Agreement have been met and this report confirms this fact. Revitalization planning has been accelerated at all of the four (4) distressed sites which constitute a majority of the Detroit Housing Department's housing. Separation, to the extent possible under current

law, has been agreed to by the City's legislative branch (after being proposed by the executive branch). Site based management plans, vacancy reduction and consolidation plans, alternative management plans and others have all been completed in less than three months.

Although the Detroit Housing Department has met all its obligations, HUD has requested that the Memorandum of Agreement be revised. Progress is being made in the negotiations of the 'revised' Memorandum of Agreement. It is important to note that the 'revised' Memorandum places responsibility for accomplishing key tasks on both the Detroit Housing Department and the HUD field office, which is essential if full recovery is to take place. The achievement of 'revised' Memorandum of Agreement tasks in many cases requires implementation of both Detroit Housing Department and HUD staff. While negotiations on the 'revised' Memorandum continue, the Detroit Housing Department has attempted to close out current Memorandum of Agreement tasks. Tasks which are not yet due will be transitioned into the 'revised' Memorandum. The Detroit Housing Department is optimistic that the 'revised' Memorandum will be completed by April 15, 1996.

Given the Detroit Housing Department's documented compliance with the Memorandum of Agreement and Partnership Agreement, the Detroit Housing Department strongly objects to the final OIG recommendation which states that HUD should appoint a receiver to operate the Department if all the goals are not met within the established or reasonable time frames. While non-compliance with an officially executed Memorandum of Agreement is grounds for intervention, the recommendation of receivership is inappropriate. The Detroit Housing Department has continually demonstrated compliance with the Memorandum of Agreement as confirmed through both HUD and independent audits. Further, the Partnership Agreement, which the Detroit Housing Department has also fulfilled, embodies a spirit of cooperation, teamwork, and commitment between HUD and the City of Detroit. The threat of receivership is in direct opposition to the spirit of Partnership which exists between Secretary Cisneros of HUD and Mayor Archer of the City of Detroit. Failure to

execute all of these improvements may not be totally within the power of the Detroit Housing Department. The Detroit Housing Department has and will continue to fulfill its obligations. Working in a cooperative partnership with HUD, we are confident that we can complete recovery and be removed from the troubled list.

Evaluation of Comments

The Detroit Housing Department objected to our last recommendation that HUD appoint a receiver if the City and Housing Department do not follow through on their Agreements with HUD. As the comments indicate, currently the Housing Department is in full compliance with all agreements and is pursuing corrective actions in all areas. Our recommendation is not intended to take away from this fact. The recommendation is necessary because in the past the City and Department promised actions and did not follow through on them. Both the Memorandum and Partnership Agreements contain future completion dates for some actions. It would not be fair to the residents of Detroit Public Housing to again allow any of the parties to the agreements to not follow through. To avoid any misunderstanding we changed the recommendation to eliminate "established or reasonable time frames" and replaced the phrase with "agreed upon goals". We did this to eliminate subjectivity.

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Vacancy Reduction/Unit Turnaround

Previous HUD and consulting reviews conducted on the Detroit Housing Department showed the Department did not have an effective vacancy reduction/unit turnaround program. The reviews identified that the Department did not: have clear or realistic goals related to staff capacity or numbers; develop a comprehensive strategy to effectively reduce vacancies; or have standardized policies and procedures.

Observations of the Vacancy Reduction Program

The December 15, 1995 Partnership Agreement between the City of Detroit and HUD required the Department to establish program and performance measures for vacancy reduction and unit turnaround by March 1, 1996.

The July 1, 1995 Memorandum of Agreement between the Detroit Housing Department and HUD required the Department to develop an overall vacancy reduction plan and reduce vacancies to the maximum extent possible. Specific goals of the vacancy reduction plan are: (1) establish a goal of reducing vacant units; (2) prepare a marketability study; and (3) develop and implement a pre-occupancy partnership program.

The Department is implementing a vacancy reduction plan. Currently it is on target with the plan's implementation schedule which is included in Appendix A. The Department is in the process of completing the strategies in the Memorandum of Agreement and the Partnership Agreement. The vacancy reduction plan categorizes the Department's developments into three categories: severely distressed, high needs and stable.

Ninety-seven percent of the Department's vacancies are at the severely distressed and high needs developments. At January 5, 1996, the Department had 4,389 vacancies. The severely distressed and high needs developments had 3,940 and 298 vacancies, respectively.

The Department has \$9 million of program money designated for vacancy reduction. At the Department's current limit of spending no more than \$8,000 per unit, this will refurbish 1,125 units. However, this is an unrealistic figure since the cost to rehabilitate units at the severely distressed and high needs developments is significantly

higher. For example, the consultant who is developing the modernization plan for Parkside Homes has estimated that rehabilitation may be as high as \$72,000 per unit. Therefore, at developments like Parkside, the designated funds would only refurbish 125 units. Since the vacancy reduction funds are inadequate, the Department plans to address vacancy reduction at high needs and distressed developments by coordinating vacancy reduction with modernization and using the following sources of funds:

- Unobligated 1994 and 1995 Comprehensive Grant Program funds of approximately \$49.5 million,
- Home Ownership Opportunities for Everyone funds of approximately \$97.6 million,
- Major Reconstruction of Obsolete Projects funds of \$19.6 million and,
- Funds obtained from the sale of low income housing tax credits.

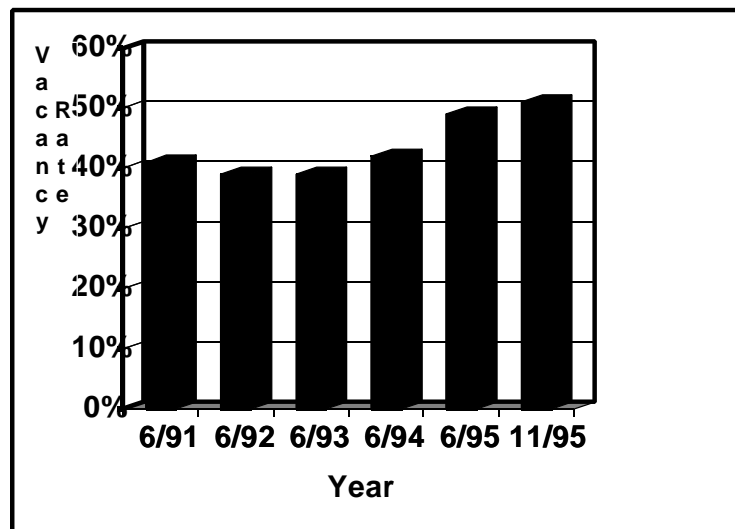
To reduce vacancies at the high needs and distressed developments, the Department, in addition to rehabilitating units, intends to demolish obsolete units. About 28 percent of the Department's vacancies will be eliminated by planned demolitions. The Department has 3,144 vacancies at its severely distressed Parkside, Jeffries and Herman Gardens developments.

The Department's plan to reduce vacancies at its high needs and distressed developments appears reasonable considering the amount of varied funds that are available. However, current projections by the Special Assistant for Capital Improvements, a consultant, said the Department does not have enough money to perform all planned rehabilitation and demolition work. Specifically, it does not have \$25.6 million to cover demolition of 3,835 units including 212 units at Lee Plaza which is 100 percent vacant; and therefore, not as high a priority as the Department's occupied developments.

At the stable projects the Department is using its preventive maintenance teams to perform vacancy reduction work. The Department implemented a work order system on January 9, 1996, and is developing a new preventive

maintenance program and procedures for a site based management system. The Department plans to implement a job order contracting system and hire a vacancy reduction consultant to develop, evaluate and implement the vacancy reduction program. The job order contracting system will give the Department greater resources of manpower to prepare units and perform other maintenance functions. The vacancy reduction consultant will provide accountability over the establishment of the program. Once vacancies are reduced and occupancy is stabilized, the site managers will become responsible for maintaining the occupancy levels. Prior to the site managers becoming responsible for vacancy reduction; however, it is important that the Department immediately hire the vacancy reduction consultant to administer the program. The consultant should facilitate the program until the site based management plan becomes effective.

Although, the Department had preventive maintenance teams preparing units for occupancy, its vacancy report for the period ended December 31, 1995, showed that its vacancy rate increased rather than decreased. The following table shows the Department's vacancy rate from June, 1991 through November, 1995:



Occupancy did not increase because most of the units prepared by the preventive maintenance teams were used to relocate tenants displaced because of modernization work.

Furthermore, progress was slow since the preventive maintenance teams did not have sufficient personnel to perform the required preventive maintenance functions and prepare a measurable number of units for both relocation and occupancy.

Since July 1, 1995, the Department's preventive maintenance teams prepared 508 units for relocation and occupancy. Specifically, 413 units were used for relocation and 85 units were used for new occupants. However, 10 units were not occupied. Although we inspected some of the vacant units that had been prepared for occupancy and found no damage; unoccupied units have an increased risk of vandalism or other damage.

We noted that the Tenant Placement Office was not informed when units became available through vacancy reduction and moderate rehabilitation. The Tenant Placement Office was unaware of projected completion dates for units, and therefore, was not in a position to fill the units as quickly as possible. This problem is addressed in Chapter 6 of this report.

We recommend HUD assures the Department implements a job order contracting system by December 31, 1996 and hires a vacancy reduction consultant by May 31, 1996.

Although the Department is on schedule with Memorandum of Agreement and Partnership implementation dates, until all actions are completed, HUD has no assurance that vacancies will be reduced.

Observations of the Unit Turnaround Program

The July 1, 1995 Memorandum of Agreement requires the Department to establish a measure to evaluate unit turnaround performance at stable developments. The measure should evaluate the units that become vacant during the period the Memorandum of Agreement is in effect.

The Department is in the process of developing written policies and procedures for its unit turnaround program. It has retained a consultant to write the policies and procedures. The consultant plans to have the policies and

procedures ready by the end of March 1996. The Department expects to modify the draft procedures using a site based management plan and the job order contracting system plan and have them ready for full implementation by December 31, 1996.

We could not evaluate the effectiveness of the Department's unit turnaround program since it is in the early stages of development. However, if the Department follows through with its plan to develop policies and procedures, implements the strategies in its Memorandum of Agreement and Partnership Agreement, and develops a system to notify Tenant Placement when units are ready for occupancy (see Chapter 6) an effective turnaround program should result.

We recommend HUD continues to closely watch the Department's progress in implementing all Memorandum of Agreement strategies and Partnership requirements, relative to vacancy reduction and unit turnaround by the revised Memorandum of Agreement report date of July 1, 1996, with the exception of procedures for vacant unit repair and reoccupancy which the Memorandum of Agreement requires to be written by March 31, 1996. HUD should provide technical advice and assistance or take other corrective measures should the Department's progress significantly deviate from the plan.

We also recommend HUD assures the Department immediately implements the new unit turnaround procedures at stable sites, evaluates them, adjusts them as necessary, and then implements them department wide by December 31, 1996, the last date in the Department's implementation schedule.

Management's Comments

The Detroit Housing Department essentially concurs with the report and offers the following comments and additional information. The Department's vacancy reduction policy is that units *must* be rendered fully habitable, safe and market competitive in order to be kept leased, particularly if the basis of subsidized public housing is changed to rely on market rate rents accounting for significant revenue. Thus, virtually all the Department's housing developments are

undergoing significant modernization/revitalization. The work is frequently so extensive that units cannot be occupied during the construction period. Therefore, of necessity, a total of 2,675 units (or over 30 percent of the Department's inventory) is or will be vacant for periods up to eight months over the next two years. The Department will coordinate vacancy reduction with this modernization work. In fact, contracts valued at over \$72 million have already been bid or awarded, and the work has just begun at many developments. Plans and specifications are being prepared for additional contracts totaling approximately \$50 million. The department is confident that its modernization and revitalization program is the only means of assuring long term occupancy.

The Tenant Placement Office has not been given certain dates for the delivery of the first units because the work is only in the early stages. Dates for unit delivery will be provided in sufficient time for transfers or releasing to occur, as the work progresses.

A second basic element of the Department's vacancy reduction policy is the demolition of obsolete units. The Inspector General appropriately acknowledges this element of the Department's policy. However, based on subsequent planning, the cost to demolish the 3,835 units in this category is now estimated to be \$25.6 million. *The Department does not have funds for this demolition and is seeking assistance from HUD.*

The Detroit Housing Department intends to proceed with its schedule in developing and implementing unit turnaround procedures by preparing a draft procedure by March 31, 1996. Please note however, that the draft procedure will be reviewed by staff, tenant representatives and other interested parties during the month of April and be ready for finalization by May 15, 1996.

Evaluation of Comments

If the Department follows through on the actions it has initiated and on the Agreements it has made with HUD, its vacancies and unit turnaround time should be significantly reduced. Based on the updated information provided by the Department we revised the Chapter to show that 3,835 units will be demolished at a estimated cost of \$25.6 million.

Maintenance

Previous HUD and consulting reviews conducted on the Detroit Housing Department showed the Department did not have sound maintenance procedures. The reviews noted that the Department did not have adequate staff to address work orders; automated systems to process and track work orders; or standards to evaluate work quality needed to reach an effective preventive maintenance level.

Observations

Preventive Maintenance. The Department implemented a new preventive maintenance program on July 10, 1995. Specific goals of the program are to: (1) maintain adequate staffing levels to ensure completion of work; and (2) implement an automated work order tracking system to establish performance measures and monitor all work orders. To address the goals, the Department established a preventive maintenance team in July 1995 and implemented a new work order control system.

The team is performing preventive maintenance and vacancy rehabilitation. At one severely distressed site, Jeffries East, the preventive maintenance team is also performing routine maintenance. Although the Department's regular maintenance staff is responsible for resolving deferred maintenance items, the preventive maintenance team is temporarily assisting at this development in order to timely address all deferred items. There are 55 people on the team including supervisors. They have conducted preventive maintenance on 1,258 units since being formed. The Department plans to perform preventive maintenance on an additional 1,947 units located at high-needs properties to address needed emergency repairs. It plans to complete the work by early 1997. With the proper implementation of the preventive maintenance program and after completion of modernization work, the Department should be able to do preventive maintenance on all its housing sites. Prompt preventive maintenance reduces future maintenance costs by ensuring routine maintenance items are corrected.

Although the Department has made substantial progress in each of these areas, several issues remain which, if uncorrected, could jeopardize recent gains and adversely impact future initiatives. The Department's: (1) staff allocations for the preventive maintenance program are not

sufficient to address maintenance operations; (2) efforts to monitor the completion of work orders needs improvement; and, (3) the Department has not established performance standards for its maintenance staff. Consequently, the quality of repairs done by the maintenance staff are inconsistent.

We recommend HUD continues to closely watch the Department's progress in implementing and following the preventive maintenance program. The program should include effective preventive maintenance work requirements, assessments of resources needed, priorities, and quality control inspections. HUD should provide technical advice and assistance or take other corrective measures should the Department's progress significantly deviate from the plan.

Organization and Staffing. The Department had adequate staff to conduct maintenance operations. TAG Associates, a consultant retained to improve maintenance operations, in September 1995 recommended a staffing level of 215. As of February 23, 1996, the Department had a staff of 240.

The consultant proposed that the Department decentralize its maintenance operations and assign more workers to its development sites. The consultant said the Department could increase the efficiency of maintenance operations and respond to work orders quicker by concentrating its workers at the housing sites. The Technical Advisor on the HUD Recovery Team said the Department is in the process of reassessing its staffing patterns and plans to have its site based maintenance initiatives implemented by June 30, 1997. We believe the site based maintenance initiatives should improve maintenance efficiency.

We recommend HUD closely follows the Department's progress in implementing its site based maintenance initiative by June 30, 1997. HUD needs to take corrective actions if the Department significantly deviates from its plan.

Although the Department has more staff than the consultant recommended, with the current condition of the developments and the new maintenance initiatives to

address the Agreements with HUD, the staff can be productively employed. However, after modernization work is completed and new maintenance programs fully implemented, the maintenance staffing levels must be reassessed. Reassessment is particularly important because the consultant's recommendation was based on the Department maintaining approximately 9,000 units, while current plans show the Department having approximately 7,500 units.

We recommend HUD assures the Department reassess its staffing needs upon completion of its maintenance and modernization efforts.

Work Order Procedures. It is critical that any troubled agency first look toward the preservation and effective utilization of its viable housing developments. Recognizing that a crucial measure of an agency's success is its ability to resolve outstanding work orders, the July 1, 1995 Memorandum of Agreement between the City of Detroit and HUD required the Department to establish program and performance measures for work orders by December 1, 1995. The Department recently established procedures to track work orders.

On November 1, 1995, the Department established a central intake area for all tenants to contact for work order-related repairs. On January 9, 1996, the Department implemented a new automated work order system to help maintenance staff promptly track and address work orders and reduce backlogs. The system is based on Memory Lane software which is an integrated software package. The system will eventually allow Department managers to gather and track information on work orders, financial operations, and purchasing. Although the system should improve the Department's ability to track and resolve outstanding work orders, we discovered several weaknesses in the procedures that need correction.

Work orders were not properly closed. Department managers closed work orders when the problem that initiated the work order was not resolved. This occurred because the Department's policy allowed work orders to be closed without verification of completion. We reviewed 9

work orders that were opened and closed under the new work order system as of January 30, 1996, and found two were not adequately resolved. We picked the work orders based on our ability to determine that the work was completed.

- A work order dated January 11, 1996 was subsequently closed on an unspecified date. The resident called in the work order because she did not have heat in her apartment. On February 13, 1996 the resident said she still did not have sufficient heat.
- On January 11, 1996, a work order requesting reinstallation of a smoke detector was received. This work order was also closed on an unspecified date. On February 14, 1996 the detector was hanging from the wall and not properly mounted.

Tenants may be forced to live for extended periods of time in conditions that may not be decent, safe, or sanitary when work orders are closed and work is not satisfactorily complete. Maintenance reports reflecting work accomplished are also distorted.

We recommend HUD assures the Department establishes procedures and controls to complete work orders in a timely manner and confirm the work was adequately accomplished.

Maintenance items stocked were not adequate. The Department did not assure common maintenance items were available when needed to timely complete repairs and resolve work orders. Site managers showed us supply orders that indicated the managers were unable to obtain many routine items timely. For example, on February 29, 1996 one site manager was still waiting for storm doors, plywood, step ladders, and drop cloths that had been ordered on December 27, 1995. As a result, repairs were delayed, tenant frustration levels increased, and future maintenance costs possibly increased because of insufficient preventive maintenance.

Work order repairs were delayed because development managers did not have the authority to purchase needed

supplies and materials. Authority to purchase items was limited to the Central Maintenance Department. Purchasing authority was not shared with development managers who need to address work orders as quickly as possible. The Department has established blanket purchase agreements with several local hardware outlets. The Department's Executive Director said the central controls were implemented to gain control over use of materials. However, he said with the blanket purchase orders and the new accounting procedures the Department is implementing, procedures can be developed to allow Development Managers the flexibility to obtain items directly from the blanket purchase agreements. We believe delays could be reduced by giving the managers more flexibility; however, accountability over the expenditures must be established.

We recommend HUD require the Department develop needed procedures and accountability controls to allow development managers to use blanket purchase orders to obtain routine materials.

Performance Standards and Evaluations. Because of the condition of the Department's units, the Memorandum of Agreement required it to develop and implement performance standards and targets for housing sites. The Department did not have a system to evaluate the performance of its maintenance staff, or to assess the time efficiency of its staff resources. The maintenance staff was not properly completing work order forms and systematic record keeping was almost non-existent. Neither the central intake staff nor the maintenance superintendents tracked vital data on work orders such as resident and worker signatures; time spent, supplies used, tenant damages or specific actions taken to address repairs.

Maintenance foremen said the Department did not provide workers with adequate training on how to properly complete work order forms and that it was physically impossible to review maintenance workers' completed work orders to determine whether the workers performed satisfactorily. We agree that physical review by maintenance foremen is very time-consuming; however, at a minimum, supervisors should selectively review the

quality of work of each of their employees. Also, the Department's computer system is capable of amassing and reporting data that could be used to monitor an employee's time and the work completed.

The Department's new work order system has a built-in standard program that will allow the tracking of time spent to complete work orders. An employee's completed work order can be tracked to evaluate performance. The Department can compare the time an employee takes to complete a task against a benchmark to help evaluate the employee's effectiveness. However, the Department had not established standards or average actual times to use as a benchmark for completing various types of routine work.

A Technical Advisor on HUD's Recovery Team said the Department was in the process of developing standards to evaluate maintenance personnel's job performance. The standards, when fully implemented, will be used primarily to establish goals for completing work orders.

We recommend HUD assures the Department establishes standards and a system to evaluate the performance of its maintenance staff directly responsible for resolving work orders.

Evaluation of New System. The Department plans to evaluate the new work order system 90 days after system implementation. At that time, April 9, 1996, they plan to make adjustments and enhancements.

Management's Comments

The Detroit Housing Department essentially concurs with the report and offers the following comments and additional information.

Preventive Maintenance - Since the creation of the preventive maintenance team significant progress has been made in the areas of inspections, maintenance repairs and unit preparation.

The preventive maintenance team was performing additional duties with the assigned staff however, they have since been instructed to limit their activities to preventive maintenance inspection and related work. The goal for the

preventive maintenance team is to complete the Housing Quality Standards inspections on all the stable and high needs developments by the end of the fiscal year, June 30, 1996.

The Detroit Housing Department feels that the Housing Quality Standards inspection program is on track. The Preventive Maintenance Supervisor is completing quality control sampling of the completed work orders. All work orders for repairs are signed off by the sub-foreman for preventive maintenance. As the new Memory Lane System work order system is fully implemented, the Detroit Housing Department will be better able to verify productivity of the preventive maintenance team and maintenance staff.

Based on current estimates and review by outside consultants (TAG Associates) it is estimated that the preventive maintenance team is the correct size for the present needs, but will be adjusted as more historical data is available for review.

Organization and staffing - The Detroit Housing Department is committed to improved services to its customer, the residents. The development of site based management operations is central to increasing resident satisfaction by having decisions and resources at that level. The necessary training and reallocation of resources will take place during the implementation of site based management which will be fully operational by June 30, 1997.

It should be noted that the maintenance staffing level projected under the site based management plans are based on the projections that the Detroit Housing Department will have a reduction of approximately 3,800 units from its current level of nearly 9,000 units. [The Department will have approximately 7,500 units after it replaces units demolished.]

Work Order Procedures - The Detroit Housing Department has made significant progress in addressing the number of outstanding work orders. A procedure was established to address all emergency work orders within 24 hours. That

procedure has increased the percentage of emergency work order completed within 24 hours to 99 percent.

The outstanding work order backlog prior to December 31, 1996 has been reduced from over 3,000 work orders to less than 400. Efforts are being made to bring the entire backlog current by June 30, 1996. As a part of the process, training on work order intake and work order preparation procedures are being provided to the Detroit Housing Department staff.

In reviewing the Auditor's comments regarding the sampling of 8 work orders and the determination of 2, the Detroit Housing Department has a concern about this sample size in a universe of over 10,000 completed work orders. The assessment based on that survey could not accurately reflect the productivity, reporting accuracy or workmanship of the Detroit Housing Department maintenance staff. The Detroit Housing Department acknowledges that more effort is needed in addressing the timely and proper completion of work order steps to improve work order completion, and monitoring work order performance and quality control is underway.

Maintenance items stocked were not adequate - One of the areas in which the Detroit Housing Department has made significant progress is in the area of procurement of materials and supplies. Over the past year the Detroit Housing Department has been able to establish accounts that previously had been unavailable or closed. The Detroit Housing Department staff have been able to provide the materials necessary to paint all the occupied units in the senior high rises, complete preventative maintenance work in over 1,300 units while completing over 3,000 backlogged work orders.

The Detroit Housing Department recognizes that because materials and equipment are available that were not available in the recent past, that staff needs training in the procurement procedures and sometimes there are breakdowns in the process. This will be corrected as the on-going training occurs.

It should be noted that as a part of the site based management plans, "stock rooms" will be available at all sites along with open purchase orders for supplies and materials for the site managers.

Performance Standards and Evaluations - It is the goal of the Detroit Housing Department to develop standards of performance for all employees.

Maintenance performance standards will be developed in the future for all maintenance tasks. The new Memory Lane computer software will create a better data base to review productivity of the maintenance staff and will be essential in the development of maintenance standards for maintenance personnel.

Evaluation of Comments

The Department generally agreed with our observations and recommendations in the chapter. The Department, however, raised concerns over two of the observations: (1) the preventive maintenance staff is the correct size for the present needs, but will be adjusted as more historical data is available for review; (2) our small sampling of work orders could not accurately reflect the productivity, reporting accuracy or workmanship of the maintenance staff. The Department, however, agreed that more effort is needed in addressing the timely and proper completion of the work.

Our review showed the site based management plan based its maintenance staffing level on approximately 9,000 units, not approximately 5,200 as management's comments indicate. Although we agree the staff is currently appropriate, the Department needs to reassess the staff size after efficiencies resulting from modernization and maintenance initiatives are completed.

We agree our sample of 9 work orders was not sufficient to reflect the productivity, reporting accuracy or workmanship of the maintenance staff. The sample was not selected for conclusive evidence, but was used only to indicate whether the new system was fully implemented. The Department said in its response that it is taking steps to improve work order completion, monitoring work order performance and quality control. The Department's actions, if followed

through on, should resolve the problem. However to assure the Housing Department satisfactorily corrects the problem, HUD needs to closely monitor the Housing Department's actions.

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Modernization

Previous HUD and consultant reviews conducted on the Detroit Housing Department showed that the Department was slow in obligating and expending its modernization funds. In addition, the reviews showed the Department's long range planning for comprehensive modernization of large developments was deficient, and the Department needed to undertake a marketability study to assess the market for its units.

Observations

The Departments' modernization plans. The Department has developed a five-year capital plan for its modernization program. An OIG Appraiser performed a review of the Department's plans and specifications and inspected all of the developments except for the scattered sites. The Department's plans for demolition and rehabilitation of its elderly sites appeared adequate. Its plans to demolish, rehabilitate and construct units at its family sites also appear adequate to address current conditions. However, to ensure the modernization actions taken will be efficient and effective now and in the future, detailed marketability studies should be completed before new contracts are made.

Marketability studies are being performed. On January 5, 1996, the Department contracted to have marketability studies prepared for its developments. The studies are scheduled to be completed by June 15, 1996. However, the Department has proceeded with some modernization work without the benefit of a completed study. For example, the Department is rehabilitating, demolishing, and constructing new units at Smith Homes. As of March 21, 1996, only one marketability study was completed. Without considering a market analysis before expending funds, HUD and the Department lack assurance planned and ongoing modernization work is necessary.

We recommend HUD assures the Department uses completed market studies for planning before starting new contractual work on which the studies may have an impact.

Alterations must comply with handicap criteria. Title 24 of the Code of Federal Regulations Section 8.23(a) states that if alterations are undertaken to a project that has 15 or more units and the cost of the alterations is 75 percent or more of the replacement cost of the completed facility, then

the provisions of Section 8.22 apply. Section 8.22 (a) says public housing should be designed and constructed so it is readily accessible to and usable by individuals with handicaps. Section 8.22 (b) requires a minimum of five percent of the total dwelling units at a project be made accessible for persons with mobility impairments.

The contracts for Smith Homes and Charles Terrace did not require the contractors to comply with the handicap requirements. The Department should have contracted to have five percent of its units, at the two projects, converted into handicap accessible units. The Special Assistant to the Director said the Department intends to comply with HUD requirements for Smith Homes and Charles Terrace. If necessary, the Department can build new units that comply with HUD's requirements under an in-fill turnkey housing contract.

We recommend HUD assures the Department complies with all aspects of Title 24 of the Code of Federal Regulations, Section 8.22 at Smith Homes, Charles Terrace, and all other developments that qualify.

Contractor Payments. The Department's modernization contracts state that upon substantial completion of work, the Department may pay a contractor the contract price less an amount for demobilization-close-out, twice the architects valuation of remaining punchlist items, and other deductions the architect recommends and the Department deems appropriate. We reviewed one of three modernization contracts that were substantially complete and found the Department did not use an architect's valuation of the punchlist items in calculating its payment. As a result, HUD and the Department lack assurance the correct amount of funds were withheld. Funds are withheld to encourage contractors to satisfactorily complete contracts.

We recommend HUD assures the Department establishes procedures and controls to comply with the payment procedures in the Department's contracts.

Expenditure of Modernization Money. The Department has improved its responsiveness for obligating and

expending Comprehensive Improvement Assistance and Grant Program funds. Prior consultant reports identified slow obligations as a problem. The Department has now fully obligated its 1992 funds and over \$70 million of the \$118 million available from 1993 through 1995.

On December 31, 1994 the Department had obligated only 21 percent (\$89 million/\$19 million) of the Comprehensive Grant Funds that were available to it. However, by December 31, 1995 the Department had obligated 60 percent (\$118 million/\$71 million) of Comprehensive Grant Program money available. The \$52 million obligated in fiscal year 1995 represents a significant improvement in the Department's responsiveness in using funds.

We recommend HUD closely watches the Department's progress in obligating Comprehensive Grant funds for needed requirements. HUD should assure appropriate corrective measures are taken if the Department begins to lag in the expeditious obligation of the funds.

Management's Comments

The Detroit Housing Department has made several very substantial modernization achievements in recent months. Building on a previous (1992) market study and comprehensive physical needs assessments by nationally recognized consultants, in mid-1994 the Detroit Housing Department undertook re-assessment of physical needs for all developments. In early 1995 these re-assessments were validated and revised as appropriate, in the context of the site-by-site recovery strategy being developed by the consultants TAG Associates (management) and Capital Needs Unlimited (capital improvements). On this sound basis, the Department proceeded with preparation of plans and specifications for contracts for over \$60 million in modernization improvements to correct basic facility deficiencies, improve habitability and provide for the essential security of public housing residents. The appropriateness of these actions was validated recently by HUD's independent assessment, conducted by another nationally recognized consultant, Coopers & Lybrand, whose complimentary findings are respectfully acknowledged by the Department.

The audit report is correct in noting that the Detroit Housing Department has contracted for marketability studies for each site. It should be further noted, however, that the studies have now been completed for both Home Ownership Opportunities for Everyone VI sites (Parkside and Jeffries) and the large Major Reconstruction of Obsolete Projects site (Herman Gardens). Appreciating the need for marketability studies, the Detroit Housing Department focused first on these most seriously distressed developments. Preliminary findings of the Herman Gardens study helped shape the scopes of some projects, such as heating and cooling systems at Parkside. Additionally, the market studies for Herman Gardens and Parkside clearly confirm initial assessments that the West Side and East Side sub-markets will support planned modernization of Smith Homes and Charles Terrace, respectively, for which bids have been received and contracts are in the process of being awarded.

The Detroit Housing Department believes the needs of current residents are also a valid reason for engaging in modernization activity. Building condition issues, such as building age, structural integrity, and current building code requirements are valid issues the Detroit Housing Department must address. These considerations are particularly important at sites with a high occupancy level that are therefore showing a strong market performance. The implication of the recommendation that modernization activities should be delayed until (site-specific) market analyses are completed is inconsistent with the HUD/Detroit Partnership Agreement impetus to expedite demolition and reconstruction activities. The Detroit Housing Department intends to use all the analytical tools available to ensure that our modernization effort is proactive and serves the multifaceted needs of our residents and potential residents. The Detroit Housing Department will collaborate with the HUD field office relative to demolition/disposition actions and substantial rehabilitation of additional senior sites/buildings. However, the Detroit Housing Department requests that the OIG clarify its recommendation with regard to market studies, particularly as pertains to family developments and ongoing currently planned modernization work. Failure to do so could cause delays in implementing current plans.

Planning for unit renovation of Smith Homes and Charles Terrace addressed handicapped-accessible units on site. Our modernization consultants determined that it would be more cost and functionally effective to supply 504 units as replacement (in-fill) housing, as mentioned in the report, and site redevelopment plans so specified same. Funds were sought specifically for this. However, the Detroit Housing Department only recently was advised that the requested funds would not be provided; therefore, the Detroit Housing Department is re-assessing whether this requirement should be satisfied through two existing unit modernization contracts that will soon be awarded, or as part of another in-fill housing new construction contract presently being advertised. In either case, we will apprise the HUD Field Office of how the requirement will be satisfied.

The Detroit Housing Department has significantly improved its management of contractor payments and all other contractor activities by hiring additional staff, including two new general managers and an assistant general manager in the areas of budget/finance and modernization. Construction contract inspection services have, in part, been contracted out. The Detroit Housing Department is currently contracting for additional architectural and engineering support for construction contract management services to further strengthen this area, commensurate with the recently expanded workload.

Evaluation of Comments

The Detroit Housing Department requested that we clarify our recommendation regarding market studies. It was not our intention to delay work that has already been contracted and is underway. Our intention is to ensure that no new work on which a market study could have an impact is initiated before the results of the study are available. We believe it is prudent management to have a complete assessment of needs before commitments are made to expend funds in areas that could change or may not be required. We added the word "new" to our recommendation to help ensure the recommendation is not misread.

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Inspections

Previous HUD and consulting reviews conducted on the Detroit Housing Department showed the Department did not have sound inspection procedures. The reviews noted that the Department did not do sufficient inspections needed to reach an effective preventive maintenance level.

Observations

Inspection Procedures. Recognizing that many housing developments in the City of Detroit are viable and should be maintained as rental housing in the long term, the July 1, 1995 Memorandum of Agreement between the Detroit Housing Department and HUD requires the Department to develop an overall inspection plan, by December 1, 1996, to preserve and effectively utilize its viable housing units. The Department issued new inspection procedures on January 1, 1996. The procedures are very similar to those used at other housing authorities and, when fully implemented, should address goals established by the Memorandum of Agreement.

The Department's inspection procedures outline performance standards for conducting annual housekeeping inspections of tenant units. The units are evaluated in terms of excellent, satisfactory, or unsatisfactory condition. Section 201 of the Annual Contributions Contract requires the Department to operate each project solely for the purpose of providing decent, safe, and sanitary dwelling within the financial reach of low-income families. HUD Regulation 24 CFR 882.102 states, in effect, that units are decent, safe and sanitary if they comply with HUD's Housing Quality Standards. The Department's procedures are consistent with HUD's annual recertification process and require the maintenance staff to perform preventive maintenance inspections in conjunction with the Housing Quality Standards inspections. The Department's target date for the completion of all Housing Quality Standards and preventive maintenance inspections is January 8, 1997.

We recommend HUD assures the Department develops procedures and controls to complete all inspections by January 8, 1997 and bring all units up to HUD's Housing Quality and the Department's preventive maintenance standards.

The Department's inspections have not always been carried out efficiently, economically, or effectively because its policies and procedures were not clearly communicated to the personnel doing the inspections. For example:

At one development, during January and February 1996 the preventive maintenance team performed preventive maintenance inspections on all units and identified needed repairs. The team, however, did not coordinate or communicate the inspection results with the development staff who had already performed Housing Quality Standards inspections on some units. Because the preventive maintenance team and development staff did not coordinate their inspection efforts as the new procedures require, duplicate work orders were issued and Department resources wasted. Clear communication of policies and procedures to appropriate personnel is critical to ensure that such policies and procedures are effectively implemented.

On February 12, 1996, the Department began to perform preventive maintenance and Housing Quality Standards inspections simultaneously. Simultaneous inspections will allow the Department to realize improved coordination and communication between members of the preventive maintenance team and development managers when inspecting tenant units, generating work orders, and taking corrective action.

We recommend HUD assures the Department develops procedures for personnel to understand and follow inspection requirements.

Management's Comments

The Detroit Housing Department has developed Inspections Procedures that include move-in, move-out, annual housekeeping, 90 day after move-in, vacancy preparation, Housing Quality Standards and preventive maintenance inspections. These procedures were effective January 1, 1996. Staff has had initial training on these procedures and on going training has been developed. A training session on Housing Quality Standards and preventive maintenance training was held on March 28, 1996 in conjunction with the local HUD staff and TAG Associates, consultants on site based management. This training is for the Property Managers and operations staff. This is the second of seven

training modules on site based management for Property Managers. This training along with internal training is designed to enhance the skills, effectiveness and communication of the Detroit Housing Department staff.

Housing Quality Standards Inspections - The original procedure called for Property Managers to complete the annual Housing Quality Standards inspections at their developments. This inspection was to be completed by the management staff person teamed with the preventive maintenance staff person while they completed the preventive maintenance inspection.

This procedure was revised so that both inspections, Housing Quality Standards and preventive maintenance, would be completed by the preventive maintenance team. This change will provide a more efficient method in completing the inspections, creating the appropriate work orders and completing the necessary work to close the work orders in a more timely manner. Also, this procedural change was made to insure that all eligible units would be inspected by the end of the fiscal year, June 30, 1996. It should be noted that the Detroit Housing Department completed 100 percent of unit inspections in the previous fiscal year.

Evaluation of Comments

The actions outlined by the Department, if implemented and enforced, should resolve the issues raised by HUD and previous consultant reports. However, to assure the Housing Department implements and adheres to the outlined actions, HUD needs to monitor the implementation and effectiveness of the actions taken by the Department.

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Admission And Continued Occupancy Policy

Previous HUD and consulting reviews conducted on the Detroit Housing Department identified severe security problems that resulted in major damage to units and buildings and lowered tenant morale. The reports found the developments were subject to criminal elements, lease violations including misuse/abuse of dwelling units, non-payment of rent, and unauthorized co-habitants. The reports consistently recommended tougher admissions and screening procedures.

Observations

Admissions and Continued Occupancy Policies. The Detroit Housing Department issued new admissions and continued occupancy policies on February 1, 1996. As of February 14, 1996, the Supervisor had distributed the new policies and procedures to his staff, but the staff had not been trained on the new procedures. The Supervisor said he plans to have all training completed and the procedures fully implemented by April 15, 1996.

The new policies incorporate intensive screening of potential applicants that include police background checks and home visits. The policies include procedures for tenant's transferred to new units. The procedures are comprehensive, based on procedures that are in use at other similar size housing authorities, and should improve the process when fully implemented and enforced.

The need for such procedures is evident as our review of 18 tenants who were scheduled for eviction since April 1995 indicates. Two of the tenants were relocated to new units on February 1, 1996. These tenants had outstanding eviction judgements against them.

Since the tenants are now at new addresses, the court judgements are no longer valid and the Department must go through the entire eviction process again. If the Department had reviewed the tenants' status before relocating them, they could have determined that the tenants should have been evicted rather than moved to new units.

We recommend HUD assures the Department implements the new admissions and continued occupancy procedures expeditiously.

Program Coordination. The Tenant Placement Office was not informed when units became available through vacancy reduction and moderate rehabilitation. The Tenant Placement Office was unaware of projected completion dates for units. The Department did not have an effective system of communication between modernization and preventive maintenance personnel and the Tenant Placement Office that included written procedures. Written procedures are required for stability of communication requirements when different parties are involved and continually change. The Department uses in-house personnel and contractor resources to refurbish units. The placement office needs projected completion information to properly pre-screen prospective tenants and prepare them for immediate occupancy when the units become available.

We recommend HUD assures the Department implements a system of written communication between maintenance personnel making units ready for occupancy and the Tenant Placement Office.

Management's Comments

The Detroit Housing Department essentially concurs with the report and has revised its occupancy policy effective February 1, 1996 including the addition of central leasing and reassigning intra-development transfers to the Tenant Placement Office. These policies will be fully implemented by April 15, 1996.

Communication among divisions concerning unit rehabilitation has been improved by the implementation of a vacancy tracking report (Control Book) which tracks a vacant unit from move out to move in and a procedure to recertify residents when they are transferred under normal circumstances. Also, Modernization and Preventive Maintenance staff coordinate their efforts through almost daily meetings and joint site meetings. In addition, to further assist in coordination of efforts, the Detroit Housing Department recently hired a new General Manager of Resident Selection and Assignment who has over 25 years of public housing experience in this area. The new Manager is responsible for the tenant placement office.

In order to address the crime problem at the various developments, the Detroit Housing Department has, with

the full cooperation of the Detroit Police Department, hired an inspector and assigned 41 officers to its public housing sites. A private security company is also under contract to provide additional security, especially at senior sites. Trained resident lobby monitors are also active at many senior buildings and trained resident patrols are active at some family sites.

Evaluation of Comments

If the Department follows through and fully implements its new admission and continued occupancy procedures and effectively uses its vacancy tracking report, it should adequately address the concerns in past HUD reviews and Consultant reports. However, to assure the Department implements and adheres to the initiatives outlined in this chapter, HUD needs to monitor the Department's actions.

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Tenant Evictions

Previous consulting reviews conducted on the Detroit Housing Department identified problems that resulted in major delays in the eviction process. The reports found speedy evictions were seriously curtailed by a court imposed filing limit and a possible staffing shortage in the bailiff's office.

Observations

Steps taken to improve the process. The Housing Department developed new eviction procedures that are included in the Department's rent collection policies and procedures. The rent collection policies will be presented to the Board of Commissioners for approval on April 4, 1996. Upon approval, the Department will devise an implementation schedule.

The new policies and procedures are written to: (1) clarify for both tenants and staff, the Department's position regarding rent collection; (2) streamline and simplify rent collection actions taken by the Department; (3) establish strict guidelines to handle repeatedly delinquent tenants; and (4) reduce tenants' accounts receivable balances to 10 percent or less.

We recommend HUD assures the Department establishes procedures and controls to implement and enforce the new rent collection policy.

To further improve the eviction process, the Department took steps to increase the number of cases that the District Court will allow it to file in a day.

The District Court had limited the Department's filings to 30 cases per day. The limit caused Department personnel, at times, to have to make repeated trips to the court to complete all filings. On February 28, 1996 the Department successfully petitioned the court and got the number increased to 35 filings per day. Although this will not completely eliminate repeated trips, it does expedite the responsiveness of the eviction process.

The Housing Department also established its own legal division with two full time attorneys. A major responsibility for one of the attorneys is to handle tenant

evictions and coordinate all the necessary court functions associated with evictions. In the past, evictions were delayed and the Department did not maintain a strong liaison with the District Court. The dedication of an attorney to the eviction process should strengthen the Department's relationship with the District Court and will expedite the eviction process.

Processing of writs by Bailiffs. We reviewed the eviction process under the control of the District Court. The Department's Housing Manager said once the writ is signed by the Court it is given to the Bailiff's Office for execution. The Court decides on the eviction date, assigns the bailiff, and the bailiff determines when to execute the eviction. As a result, the Department has no assurance that writs are executed before they expire.

The need for the new eviction procedures is evident. As of February 7, 1996, 56 open writs dated back to April 18, 1995. Since writs are only valid for 56 days, 21 of them had expired. As a result, the Department must go through the entire eviction process again, incurring unnecessary costs.

We contacted the Chief Deputy Court Administrator who said he was unaware that all the Department's writs had not been executed. He said to his knowledge there were no staffing shortages at the Bailiff's Office and that he would write a letter to the bailiffs requiring all outstanding writs to be executed within ten days. The Court Administrator also said he would monitor the progress of the Department's evictions to ensure the delays are not a result of the District Court. The delays were caused by a lack of coordination between the Department and the District Court. The Department's legal staff's emphasis on coordination with the District Court should help resolve the delays.

We recommend HUD assures the Department maintains an active liaison with the District Court.

Management's Comments

The Detroit Housing Department is unable to confirm the specific observances of the OIG. In general, it offers the following comments on its efforts to improve rent collection and evictions. The Detroit Housing Department has

instituted a formal rent repayment plan beginning with a 10/10 plan in February 1996. The 10/10 plan gives residents the opportunity to enter into a payment agreement if they pay 10 percent of their total back rent initially, and agree to pay an additional 10 percent of their monthly income on the remaining arrears. Residents will be given up to 2 years to make all payments and must remain current with their rent in the meantime. This opportunity is available to residents through March. After this time, payment agreements will be offered at 10 percent of income but for a shorter period of time. This program is modeled after a highly successful one at the Cuyahoga County Public Housing Authority.

In the event, however, that a resident chooses not to pay rent, the Detroit Housing Department has strengthened its eviction process. Having a stable legal department and an improved reputation for responsible management has enabled the Detroit Housing Department to establish a more constructive relationship with the court. The Detroit Housing Department has increased its ability to utilize the Summary Proceedings Act and obtain more favorable judgments and timely execution of Writs of Restitution. The Court has been shown that the Department, under a new administration, is even committed to tenants welfare with respect to providing reasonably maintained housing. The Detroit Housing Department has demonstrated to the court that there is extensive rehabilitation, remodeling, as well as a centralized maintenance system; all of which demonstrate the Department's position and prevents tenants from abusing the court system to wrongfully remain in public housing. In addition, the Detroit Housing Department has created a writ tracking system that will allow the legal staff to monitor the bailiffs' processing of the Writs beginning April 1, 1996.

Evaluation of Comments

The Department has initiated actions that, if followed through on should resolve the concerns of past HUD reviews and consultant studies. However, to assure the Department implements and adheres to the initiatives outlined in this chapter, HUD needs to watch the Department's actions.

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Contracting

A HUD Recovery Team review of the Detroit Housing Department reported that competition for contracts appeared inadequate because a few contractors received the majority of contracts. The review also said monitoring of contracts was lax. During 1995, the HUD office received three complaints that alleged the Department did not follow proper procedures for awarding contracts.

Observations

HUD regulations require the Department to obtain full and open competition when awarding contracts. Our review of 17 professional, construction and service contracts awarded by the Department during 1994 and 1995, showed the Department followed proper procedures in awarding the contracts. The Department, however needs to improve the administration of its contracts. It needs to take steps to increase the number of bids it receives on bid requests, prepare cost estimates for service contracts, and properly monitor service contracts.

The Department needs to increase competition. The Department needs to take steps to increase the number of bids it receives when soliciting construction contracts. Between April and October 1995, one contractor was awarded 12 construction contracts totalling \$29,437,225.

Even though the Department advertised for all contracts, we found only a limited number of contractors normally bid on proposals. For example, only one contractor submitted a bid proposal for two contracts totalling \$5,025,191. For three contracts totalling \$16,432,011, only two proposals were submitted.

The Supervisor of the Rehabilitation Specialists in the Modernization Division said some contractors do not like to do business with the City of Detroit because of the City's paperwork requirements.

To assess why contractors did not submit proposals, we contacted four contractors who picked up bid proposals for contracts but did not prepare and submit bid packages. Two of the contractors said they did not submit packages because they had limited bonding capacity. One contractor said he did not submit a package because of his past

experience of slow payments. The last contractor said he did not submit a proposal because an addendum to the original specifications was issued three days before the bids were due. He said he was going to request an extension but decided not to bid on the job.

We believe the creation of an autonomous Housing Commission will help attract more contractors to bid on proposals, since the Commission will have control over the responsiveness of its payments and contractors will not have to deal with the City. However, the Department needs to take actions to improve competitiveness. For example, the Department could develop a list of qualified contractors and send bid documents to them to solicit proposals. The Acting Modernization Coordinator said a bidders list already exists; however, it has not been used to solicit bids. The Department could also obtain legal advice on how to include a clause in a proposal that would protect a potential bidder against payments that are slower than what is acceptable for the industry.

We recommend HUD assures the Department develops methods and controls to increase contract competition.

The Department did not prepare cost estimates or document its monitoring of service contracts. A service contract is a proposal to do work as required at an agreed upon rate over a specified period of time up to a preestablished dollar amount. Cost estimates for this type of contract are important to provide assurance the proposals are reasonable and there is not collusion between bidders. Also the contracts should be monitored to provide assurance that vouchers submitted are reasonable for the work performed.

In 1995, the Department awarded a repair services contract for \$1 million. The contract was for repair services, on an as needed basis, for mechanical equipment used in heating, cooling, ventilation, and domestic water purposes. Contractors submitted bid packages that listed wage rates for the various laborers and skilled tradesmen and the price of materials and supplies. The Department did not prepare a cost estimate of the wage rates and materials. As a result, the contractor who was awarded the contract had excessive

wage rates which the Department did not detect. For example, the contractor listed the hourly rate of a plumber as \$55 per hour when the prevailing wage rate was \$31.

The General Manager for the Purchases Division told us he did not prepare an estimate of the costs before advertising. He said he reviewed the bid proposals for reasonableness when they were submitted. He did not have documentation to show the results of his review.

The General Manager also said he spot checked some of the vouchers for work performed under service contracts; however, he did not document his reviews.

We recommend HUD assures the Department develops controls and procedures to prepare cost estimates to assess reasonableness before awarding service contracts and document its reviews of contractor payment vouchers submitted for completed work.

Management's Comments

It should be noted that many of the OIG observations were based on practices occurring over a year ago. We have made significant strides to correct many of these deficiencies and will continue to implement OIG's recommendations.

For goods and supplies, we now have a large number of suppliers that are routinely sent solicitations, and the number of responses is good. A number of initiatives have, also, been pursued in the past nine months to attract more construction contractors to bid on Detroit Housing Department modernization contracts. These include:

- Wider advertisement of planned contracts;
- Media reporting of construction programs and bid results;
- Presentations to contractors' organizations;
- Written solicitation of bidders from the bidders list; and,
- Construction industry solicitations through the architect-engineer community.

These initiatives resulted in a number of new firms now bidding Detroit Housing Department modernization

contracts, including four large general contractors with nationwide operations. These efforts will continue.

It is true that in 1995 a few contractors did respond with the most appropriate bid, and we were, therefore, required to award them certain contracts. In some recent examples there have been many firms bidding to do work for the Detroit Housing Department. The Charles Terrace Redevelopment Bid had 24 bid packages requested and 4 bids given. Smith Homes had 27 bid packages requested and 5 bids given. A recent solicitation for a managing partner for our Low Income Housing Tax Credit project at Parkside brought forth 12 responses.

To ensure faster payments to contractors, we have streamlined paper flow which reduces paper work and speeds-up payments. We have enacted sign-off procedures that centralized the requests for services and approval of work being performed. We are entering payment documents directly into the City's payment system. We expect continuing improvements in these areas which will continue to enhance the level of contractor participation at the Detroit Housing Department.

For budgeting reasons it is important that we are able to provide realistic cost estimates for service contracts; however, to do this we must have historic data, or be able to perform basic services in-house. We rely on outside contractor assistance as we increase staff to handle these functions. Based on critical or emergency service needs, our options are either to delay repair or assign repair work to outside service providers. As conditions improve, we will be better able to control use of these contracts and better estimate their utilization.

Concerning our mechanical repair contracts, there is a process for the Maintenance Division to review work being requested and approve the work performed. The Department will establish uniform price verification procedures for mechanical repairs, as is currently being done for other contracts.

The fire appraisal contract was solicited under the requirements that the awarded company not only negotiate

a settlement with the insurance company but also perform repairs. The additional efforts for the Department to do construction drawings, take bids, process awards, etc. could greatly delay the repairs and could cost additional monies beyond the settlement amount.

Evaluation of Comments

The actions outlined by the Department will help improve the administration of its contracts; however, some of the Department's comments require clarification.

As stated in the introduction to this report, our observations were based on the practices and actions that occurred since July 1, 1995. For review, we selected the most recent contracts that contained sufficient data to allow us to draw conclusions. For example, the 12 construction contracts we reviewed were all awarded between April and October 1995.

The Department said to provide realistic cost estimates for service contracts, it must have historical data or be able to perform basic services in-house. The Department has the prevailing wage rate data that can be used to estimate the hourly wage rates for different skilled and unskilled workers used by a contractor. The Department can also estimate the materials cost by reviewing past invoices, or by contacting suppliers to determine the cost of materials. The estimates should be made before the Department advertises for bids to ensure the service contract is economical. It is not a function that must be accomplished for every call against the contract. Therefore, there should be no delays in using the contract to do repair work.

The Department said there is a process for the Maintenance Division to review and approve the work performed. However, our review found that the General Manager of Purchasing said he spot checked some of the contractor payment vouchers submitted for completed work but did not document his review. We recommend this review be documented.

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Efficiency And Adequacy Of Purchasing Procedures

Previous HUD and consulting reviews conducted on the Detroit Housing Department identified delays with the Department's purchasing process. The reviews found the Department processed all of its purchase requests through the City's complex purchasing system and did not have sufficient purchasing agents to timely process all purchase requests and do all record keeping. A HUD review cited the Department for not implementing Section 3 requirements.

Observations

The Department Changed Its Procurement Process.

The Department made changes to improve its purchasing process. In November 1994, the Department created its own Purchasing Division. The Department's Purchasing Division is responsible for the approval process for professional and construction contracts and the purchase of supplies and services.

The Division had to get City Council approval for all transactions that exceeded \$5,000; however, in May of 1995 the City raised the level to \$25,000. The change allowed the Purchasing Division to increase the number of contracts it approved by 32 percent for the period between July and December 1995.

On April 19, 1995, HUD raised the threshold for its small purchase procedures to \$100,000. The HUD representative to the Department believes, since HUD is willing to accept less controls for purchases under \$100,000, the City Council should also be willing to accept less control and raise the Department's approval level to \$100,000. However, the City Council declined to raise the level to \$100,000, and HUD conceded the increase was not necessary. The \$25,000 approval level allows the Department to approve 91 percent of supply and service contracts under \$100,000.

Delays Occurred In Processing Requisitions. The Department did not process requisitions to purchase supplies and services in a timely manner. Our review of the Department's internal requisition status report for transactions processed between July and December 1995 showed it took an average of 69 days from when the Department received a purchase request until it issued the

purchase order. We contacted six other housing authorities and found they took between 1 and 5 days to issue a similar purchase order.

The Head Purchases Agent said lack of staff caused the untimely processing of requisitions. As reported in a 1992 consultant report, the Purchasing Division had only one Purchasing Agent. On February 5, 1996, the Department hired an additional agent. It now appears the Department should have an adequate purchasing staff. The staff size compares favorably with that of other similar size housing authorities we contacted.

We recommend HUD assures the Department establishes monitoring controls to assess whether the increase in staff alleviates the untimely processing of requisitions. If the requisitions are still not processed timely, the Department needs to determine why and take corrective action.

Section 3 Requirements. The July 1, 1995 Memorandum of Agreement between the Detroit Housing Department and HUD required the Department to develop and implement a Section 3 plan to obtain more participation in the bid contract award process by qualified minority and resident contractors. The target completion date was October 1, 1995.

The Department has not updated its procurement policy to include Section 3 requirements. The Department adopted the City of Detroit's procurement policy which gives a geographical preference for local businesses, but does not contain the Section 3 requirement of the Housing Act of 1968.

HUD Regulation 24 CFR Part 135 explains the purpose of Section 3 of the Housing Act of 1968. Section 3 ensures that employment and other economic opportunities generated by HUD financial assistance be directed to low- and very low- income persons to the greatest extent possible consistent with existing Federal, State and local laws and regulations. The employment and other opportunities are specifically directed at recipients of government assistance for housing, and to business concerns that provide

economic opportunities to low-and very low-income persons. Section 3 applies to training, employment and contracting.

Because the Department did not implement Section 3 requirements, at least one contracting delay occurred, and the Department subjected itself to potential legal actions. The Department did not follow Section 3 requirements when it awarded the Warren West Modernization contract to A-Mac Sales and Building Company. The Department awarded the contract to A-Mac on September 27, 1995. On September 29, 1995, G. Fisher Construction Company protested the award of the Warren West contract to A-Mac. According to Fisher, the Department awarded the contract to A-Mac based upon improper application of an equalization allowance which was a violation of Federal law and regulations. Fisher submitted the lowest bid; however, A-Mac was recommended and awarded the contract as "lowest bidder" on the basis of being a "Detroit based bidder."

The General Manager of the Purchasing Division said the Department vacated the award to A-Mac and awarded the contract to Fisher on February 15, 1996. The Purchasing Division is in the process of preparing the contract for City Council Approval. The Department's failure to use Section 3 requirements caused more than a 5-month delay in proceeding with the contract.

The Department submitted revised procedures that included Section 3 requirements on March 1, 1996. As of April 17, 1996, HUD had not responded to the revision.

We recommend HUD immediately evaluates the revised procedures, communicates the results to the Department and assures the Department develops controls to immediately include Section 3 requirements in all contracts.

Management's Comments

The Detroit Housing Department concurs that there are problems in the procurement process but would like to offer additional information for purposes of clarity. Briefly, the Detroit Housing Department would note a few points. First, the Detroit Housing Department's own review of its 149

purchase orders during the period reviewed shows the average processing time to be 52 days. A better gauge of effectiveness would be by looking at the median time which was 36 days. A few cases that the Detroit Housing Department has little to no control over have greatly skewed the average time.

The Section 3 discussion is particularly troublesome. The Detroit Housing Department has repeatedly sought local HUD input on Section 3 and other purchasing decisions and language. In some instances, the Detroit Housing Department has been cited due to following HUD recommendations and in other instances the Department has been cited while awaiting HUD guidance after submitting language for HUD approval. The Detroit Housing Department has made a strong and serious commitment to the Section 3 requirements and feels the Inspector General report could be more balanced on this issue.

Given the above, we feel that a major impediment has been the lack of consistent communication, guidance and assistance offered by HUD's local Federal Housing Equal Opportunity office. Further, this local Federal Housing Equal Opportunity office has failed to provide the written instructions it committed to have to the Detroit Housing Department by March 11th. This occurred despite HUD central office involvement in attempting to channel Federal Housing Equal Opportunity assistance. We ask the OIG to note this problem and offer assistance to us to assure we are in compliance which is our objective.

Finally, the Detroit Housing Department would note that it made efforts to have its contracting threshold raised to \$100,000, but despite HUD's assistance was unsuccessful. After weeks of work with the Detroit City Council expressing the serious need for this change, HUD conceded and informed City Council that the increase was not needed.

Evaluation of Comments

Based on the Department's comments we recalculated the average processing time eliminating 11 requisitions that were over \$25,000. We eliminated these because City approval was required and the Department did not have full control over them. Our recalculated average was 69 days.

We measured the time from when the request was written by the Procurement Department's Stores Division. The Department calculated 52 days; however, it measured the time from when the Purchasing Division received the request from the Stores Division. Since the Stores Division is part of the procurement process, we believe our average is accurate. The median for our sample is 51 days. Although it can be said that the median is a better gauge, since it shows half of the transactions were processed in less than the median, a median of 51 days or even 36 days is still too long and significantly exceeds the time we found other authorities used.

We were unable to fix responsibility for the delayed resolution of the Section 3 problem; however, it appeared HUD and the Department both contributed to the problem. What is important is that both appear committed to the need to put Section 3 requirements in the Department's contracts and are working toward a satisfactory solution.

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Accounting Systems And Controls

Previous HUD and consulting reviews conducted on the Detroit Housing Department said the Department did not have an effective accounting system for its financial management activities. The Department used the City's Financial Information Control System; however, it also maintained a separate internal system for HUD reports which resulted in duplication. The reviews showed the Department had not established cash management and budget policies, procedures, systems and controls.

Observations

The Department's Accounting System. At the time of this review, the Detroit Housing Department was using the City's accounting system and maintaining a separate internal system for HUD reporting. The internal system did not produce accurate information for HUD's reporting purposes and required duplication of effort.

The July 1, 1995 Memorandum of Agreement between the Detroit Housing Department and HUD requires the Department to develop plans and programs for implementing independent systems in the area of financial management.

The Department is taking steps that should enable it to effectively carry out its accounting and financial functions, and make it independent of the City's financial systems.

The Department is implementing a new accounting system, the Memory Lane System. TAG Associates, who have been retained by the Department to develop financial policies and procedures, said the Memory Lane System is a reliable basic accounting system for a public housing authority. The system is expandable and adaptable to meet the Detroit Housing Department's needs. We contacted two other comparably sized housing authorities using the Memory Lane System and found they were satisfied with the system.

The Memory Lane System consists of 17 software modules of which the following 8 are accounting related software modules:

- Inventory
- Conventional-Housing Tenant Accounting

- Section 8
- General Ledger
- Bank Reconciliation
- Accounts Receivable
- Accounts Payable
- Budgeting

The Department has received all of the modules, and plans for all of the modules to be implemented and training completed by June 30, 1996.

We recommend HUD closely watches the Department's progress in implementing the new accounting system by June 30, 1996. Once the system is fully implemented and operational, the Department should stop using its internal system for HUD reporting and the City's system. The accounting staff should also be fully trained by June 30, 1996.

Written Policies and Procedures. The Department has retained TAG Associates to develop written policies and procedures covering the Department's financial management operations, cash management, and budgetary controls. The consultant's target date to complete development of the policies and procedures is April 28, 1996.

The Department's goal for implementation of the policies and procedures is June 30, 1996.

We recommend HUD track the development of the written policies and procedures to verify the Department receives them by April 28, 1996 and fully implements them by June 30, 1996.

Internal Audit. Between October, 1995 and February, 1996 the Department hired two internal auditors. The Administrative Auditor, hired in October, is in the process of writing a work plan. The work plan will concentrate on operational areas. Internal audit work will begin when the work plan is completed and approved by the Department. The Administrative Auditor believes the plan will be completed and approved by June 15, 1996. In the meantime, in addition to developing the work plan, the two

internal auditors are assisting the accounting department with budget preparation and other accounting functions.

We recommend HUD closely watch development of the internal audit work plan and take any corrective actions necessary to assure internal audit work is initiated by June 15, 1996.

Management's Comments

The Department essentially concurs with the OIG audit report and has taken significant actions to improve its staff capacity in this area. The Detroit Housing Department has hired a Deputy Director who has many years of experience in the financial aspects of Public Housing Property Management. The Detroit Housing Department has hired a financial consulting firm to audit current processes and procedures to ascertain adherence to HUD guidelines and recommend organizational changes which would support enhanced efficiency. In addition, supervisors have been given more authority to provide better controls of processes and procedures and improve staff efficiency and accuracy. A comprehensive final audit and internal controls review is underway through the services of an outside consultant.

Given the extensive level of effort committed to implementation of Partnership Agreement activities, the actual dates for written policies and procedures has been moved back one month to the end of May, 1996. Further, the implementation of the internal audit work plan is also changed by one month.

Since a new Deputy Director for Finance and Audits has since been hired, she requires that a revised work plan with new dates consistent with other internal Detroit Housing Department financial management objectives be submitted by April 30, 1996 covering the new accounting system.

Evaluation of Comments

If the Department follows through and completes the actions it has initiated and is obligated to take according to its Agreements with HUD, it should have an effective accounting system. However, to assure the Department implements and adheres to the initiatives outlined in this chapter, HUD needs to monitor the Department's progress in implementing the actions.

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Untimely Payments To Vendors

Previous consultant reviews reported the Detroit Housing Department made untimely payments to vendors that resulted in lost discounts and damaged vendor relationships. The reports found the vendor payments were delayed for two reasons: (1) the Department did not submit payment documents to the City's Voucher Audit Division on a timely basis, and (2) once received, the Voucher Audit Division did not process the payment documents timely.

Observations

At the time of this review, the Detroit Housing Department did not make timely payments to vendors. The Department's Senior Accountant said the delays were caused by payment documents not being submitted timely to the City's Voucher Audit Division, and after receipt, the City's Division not timely processing the documents.

We assessed the timeliness of 35 of the 50 vendor payments made in December 1995 and January 1996. We could not assess the timeliness of 15 of the 50 payments because the documentation that supported the payments did not contain the necessary information. The Department took an average of 76 days to process the vendor payments. Because of an inefficient process that contained unneeded approvals and processing delays, it took the Department 41 days to submit the payment documents to the City's Voucher Division. It took the City an additional 35 days to process the payments.

The Housing Department believes the untimely payment problem will be resolved after the Department: (1) separates from the City's payment process and; (2) implements procedures being developed under an independent consultant review.

The December 15, 1995 Partnership Agreement between the City of Detroit and HUD required the Department to establish program and performance measures for management and finance by March 1, 1996. The Agreement also set a target date of March 1, 1996 for the City Council to approve a plan to separate the Department from the City.

The Housing Department initiated a draft transition plan to move to an autonomous housing commission. The plan

was presented to the Detroit City Council on January 31, 1996. The objective of the separation is to improve property management performance by vesting sufficient authority and administrative flexibility in a more autonomous Housing Commission. In conjunction with the separation from the City, the Housing Department will have its own computer system that will automate the payment process and should decrease delays. The transition plan was approved by the City Council on March 15, 1996 and the separation is scheduled to occur on May 22, 1996.

The Department hired a consultant to make an independent review of the financial management procedures, including the Department's internal payment process. The Consulting firm's representative said vendors could not be paid timely without the May 22, 1996 separation from the City. Our analysis that shows the City adds 35 days to the process, supports the representative's statement. The representative said his firm is going to write procedures for the Department to use when making vendor payments. He said the procedures will be included in a report to be issued by April 28, 1996.

We recommend HUD assures the Department implements controls and procedures for timely payment of vendor invoices. The Department should receive the consultant review results by April 28, 1996 and should have a method to evaluate their effectiveness.

Management's Comments

The Detroit Housing Department has taken steps to reduce its vendor payment process time. These steps include increasing staff capacity and facilitating better communication between the Department and its vendors.

To increase staff capacity, the Detroit Housing Department established a supervisory position of principal accountant responsible for the payables unit and increased the number of personnel responsible for the payable unit. Also, the Detroit Housing Department trained staff on both internal processing requirements and voucher audits. This is designed to minimize delays caused by not adhering to procedures.

To improve communication with our vendors the Detroit Housing Department has established a post office box to be used exclusively for the receipt of vendor invoices, thereby eliminating delays associated with mishandling invoices. Also, the Detroit Housing Department has met with major vendors to document problem areas and explain Departmental requirements for prompt payment. Due to the steps required to field test internal changes in procedures referred above, the final draft procedures will be moved to May 30, 1996.

Evaluation of Comments

The actions the Department has initiated and is scheduled to take should resolve the untimely payment problem if the Department follows through and completes all actions. However, to assure the Department implements and adheres to the initiatives outlined in this chapter, HUD needs to closely monitor the Department's progress in implementing the actions.

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Tenants' Accounts Receivable

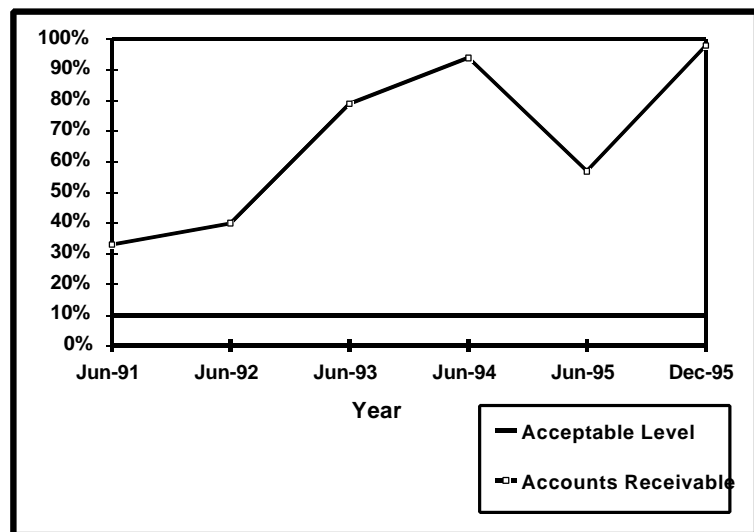
Previous consulting reviews conducted on the Detroit Housing Department identified that the Department had excessive tenants' accounts receivable. The reports found the Department: (1) did not have written rent collection policies or procedures; (2) had not established periodic goals; and (3) had made no effort to collect amounts from former tenants.

Observations

Tenants' Accounts Receivable Balances are Excessive.

Under the Public Housing Management Assessment Program, a tenant accounts receivable balance for tenants in possession of over 10 percent earns a point total of zero. The measurement excludes tenants covered by formal up-to-date repayment agreements.

The Detroit Housing Department's accounts receivable balances have been consistently excessive as shown in the following graph:



The Department has taken steps to reduce the excessive accounts receivable balance. It has developed new rent collection policies and procedures, developed a new resident repayment program, and is in the process of contracting with a credit bureau to have outstanding balances recorded as a blemish against the tenants' credit reports.

New Policies and Procedures. The July 1, 1995 Memorandum of Agreement between the Detroit Housing

Department and HUD requires the Department to implement aggressive rent collection procedures.

The Housing Department developed the new rent collection policies and procedures that will be presented to the Board of Commissioners for approval on April 4, 1996. Upon approval, the Department will devise an implementation schedule.

The new policies are designed to: (1) clarify for both tenants and staff, the Department's posture with regard to rent collection; (2) streamline and simplify actions taken by the Department for rent collections; (3) establish strict guidelines for the treatment of repeatedly delinquent tenants; and (4) reduce tenants' accounts receivable balances at each development so that the Department's accounts receivables do not exceed 10 percent.

The goal of the Department's policies is to provide for an effective and efficient accounting for rents and other applicable charges; and to provide reliable financial reporting of collections to management and the public.

The new policies and procedures are comprehensive, based on procedures that are in use at other similar size housing authorities, and should improve the rent collection process when fully implemented and enforced.

We recommend HUD assures the Department establishes controls and procedures to implement and enforce the new rent collection procedures.

Repayment Program. The Memorandum of Agreement requires the Department to enter into repayment agreements with tenants whose accounts are over 30 days past due.

The Department has developed a new repayment program, the 10/10 Moratorium Program. The program was implemented on February 12, 1996. The Department's goal is to have all of the repayment agreements completed by April 15, 1996.

This program is designed for tenants to enter into an agreement with the Department to pay their outstanding rent

balance. The agreement is for any tenant having a rent delinquency or a maintenance charge balance in excess of \$50. If a tenant does not agree to enter into an agreement, eviction proceedings will be initiated.

When the tenant enters into an agreement, the Manager will develop a repayment plan based on the tenant paying no more than 10 percent of their monthly adjusted household income in addition to their current monthly payment. Additionally, the payment plan will not extend beyond a 24-month period unless the site manager obtains written authorization from an asset manager. Failure to maintain an up-to-date repayment agreement will lead to termination of the tenant's lease and eviction.

Because implementation of the 10/10 Program is in its infancy, we could not evaluate it. However, if the Department adheres to the program, it should adequately address past consultants' and HUD's concerns.

We recommend HUD assures the Department establishes controls to enforce the new 10/10 program. All delinquent tenants that meet the program criteria should have an agreement by April 15, 1996, or the Department should have initiated lease enforcement actions.

Credit Bureau. The Memorandum of Agreement requires the Department to obtain a collection agency and establish a process for using the agency.

The Deputy Director said the collection of rent from former tenants is very difficult. The Department's previous collection agency did not renew its contract because of minimal recoveries. The Department has not been able to find another agency to take on its account. The Deputy Director said trying to obtain a collection agency is a continuing effort. As an alternative, the Department is in the process of obtaining the services of a credit bureau.

Once a contract is signed with a credit bureau, the Department will be able to report its write-off of tenants' account balances to the bureau. The bureau will record the nonpayment in the tenants' credit report and the tenant will

have to pay the outstanding balance to the Department before the blemish will be cleared from the tenants' credit history. An Attorney for the Department said she is developing the request for proposal and the Department should have a credit bureau by June 30, 1996.

We recommend HUD assures the Department obtains the services of a credit bureau by June 30, 1996 and continues to solicit the services of a collection agency.

Management's Comments

The Detroit Housing Department is making a concerted effort to reduce the Tenant Accounts Receivable through the development and implementation of new policies and procedures.

New Policies and Procedures - The Rent Collection Policies and Procedures described in this report were implemented on an interim basis by the Executive Director effective February 1, 1996. While currently being reviewed by the Board of Tenant Affairs, final approval by the Board of Commissioners is expected by April 18, 1996.

Repayment Program - It should be noted in the Auditor's report, the Revised Memorandum of Agreement will require the Department to enter into rent repayment agreements with residents whose arrearage are over 90 days instead of the 30 days in the current Memorandum of Agreement.

Additionally, the Detroit Housing Department cannot require that a resident enter into an agreement. Formal rent repayment agreements are available as an option to the eviction process. Therefore the Detroit Housing Department cannot assure that all residents have an agreement by April 15, 1996.

It should be noted that the Detroit Housing Department will move to take lease enforcement actions against any household with a rent delinquency who chooses not to enter into a repayment agreement after having been given the opportunity to enter into such an agreement.

The development of the 10/10 was to provide a program that would not put an undue financial burden on a resident

with a rent delinquency who is attempting to become current with their rent.

Credit Bureau - It is not clear that the Department previously had a collection agency. However, the Detroit Housing Department will soon contract with a credit bureau to report and collect delinquent accounts of former residents whether or not the account has been written off.

Evaluation of Comments

We agree the Department cannot assure that all residents with delinquent rents have repayment agreements because the Department cannot require a resident to enter into a repayment agreement. The Department's plan to take lease enforcement actions against residents who choose not to enter into a repayment agreement is appropriate. We changed our recommendation to reflect the Department's planned action.

The actions the Department is taking and has planned should help reduce the tenants accounts receivable to an acceptable level. However, to assure the Department implements and adheres to the initiatives outlined in this chapter, HUD needs to closely monitor the Department's progress in implementing the actions.

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Inventory of Fixed Assets And Supplies And Materials

Previous HUD and consulting reviews conducted on the Detroit Housing Department found the Department had not taken physical inventories of its nonexpendable equipment. The reviews also noted that the Department's control of supplies and materials was unreliable, very cumbersome, and time-consuming.

Observations

At the time of this review, the Department did not have a sound inventory control system in place for materials and supplies. To maintain proper levels, the maintenance staff had to visually inspect inventory supplies to determine items that needed to be ordered. The staff did not reconcile supplies ordered with stock on hand to track the total amount of materials and supplies in the warehouse. Consequently, the staff could not determine the amount of items on hand. In January 1996, the maintenance staff directly responsible for materials and supplies did not know the type, quantity, or value of the supplies, tools and equipment maintained in the central inventory. A sound inventory control system is necessary to detect and prevent loss or misuse of items. We tested the Department's physical controls to prevent unauthorized access to materials in the central warehouse and found them adequate.

The Department also did not track its fixed assets and reconcile stock on hand. The Department had not conducted a physical inventory of fixed assets in over three years. The Superintendent of Preventive Maintenance said, because of this, it was difficult to detect losses and assign responsibility.

The Department followed the City's policy of capitalizing all items over \$150 with a useful life of more than one year. This level is not expedient or practical considering the large volume of items the Department orders. The level is also not consistent with that established by other similar sized housing authorities.

The other authorities used a level of \$500 for all fixed assets with the exception of ranges and refrigerators. They capitalized ranges and refrigerators to provide financial planning data and tighter control since they believed these

items were more susceptible to loss than most other items in their inventory. Although other authorities capitalize ranges and refrigerators, we believe capitalization is unnecessary and inefficient given the average value of the items is significantly less than \$500. The tenant lease files could be more effectively used for appliance control purposes by recording the items when the tenant moves in, when items are replaced, and when the tenant moves out. This would eliminate the need to inventory the items and reduce record keeping costs.

We recommend HUD strongly encourages the Department to update its Capitalization Policy to only capitalize items over \$500 with a useful life of at least one year. Also, the Department should control its ranges and refrigerators by recording the items in the tenant lease files.

The July 1, 1995 Memorandum of Agreement between the Detroit Housing Department and HUD requires the Department to develop plans and programs for implementing independent systems in the area of financial management by December 31, 1996. An inventory system is part of financial management. The Memorandum, however, does not include specific work tasks related to inventories.

On February 21, 1996, the Department selected a contractor to develop materials and fixed assets inventory systems including methods, policies, and procedures. The systems will incorporate the Memory Lane software scheduled to be implemented by June 30, 1996. Because the development of the systems is in its infancy, we could not evaluate them. However, if the objectives in the bid solicitation are met, the systems should adequately address past consultants' and HUD's concerns.

We recommend HUD assures the Department develops and implements materials inventory and fixed assets inventory systems by June 30, 1996. The Department should establish controls so all inventories have been taken by December 31, 1996.

Management's Comments

The Detroit Housing Department concurs fully with the OIG findings and recommendations in this area. Of particular note is an appreciation of the recognition of problems inherent in the capitalization of ranges and refrigerators.

The Detroit Housing Department has hired a Materials Manager with ten years experience to head the Materials Management Division. Computers, warehouse equipment and additional pertinent classified employees are all being added to the Division.

The Detroit Housing Department has purchased Memory Lane software for inventory control. The system will track issuances, receipts, stock shortages, and outages, audit trails, inventory history and other essentials of inventory management. The system will aid in the detection and prevention of theft and misuse of inventory. A firm has been selected to perform a complete physical inventory of the storeroom. The inventory will include an in-house numbering system of each item of inventory, an associated bin location, a physical count and bar coding of the in-house members.

A methodology for tracking fixed assets will also be utilized by the Department. A \$500 minimum will be the guideline to tracking fixed assets. Therefore, refrigerators and ranges will not be inventoried but will still be tagged with City tags.

Evaluation of Comments

If the Department follows through and fully implements the actions it has initiated and planned, the inventory concerns in past HUD review and consultant reports should be resolved. However, to assure the Department implements and adheres to the initiatives outlined in this chapter, HUD needs to closely monitor the Department's progress in implementing the actions.

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Personnel Practices

Previous consulting reviews of the Detroit Housing Department said the Department's participation in the City of Detroit's Civil Service System was detrimental to effective personnel practices. The reviews noted the Department had: (1) long delays in filling vacant positions; (2) frequent changes in leadership; (3) employees bumped by unqualified or inexperienced employees from other city departments; (4) no employee performance standards; (5) inadequate lines of authority and poor communication; and (6) very little staff training.

Observations

The Department will function as a Housing Commission. The December 15, 1995 Partnership Agreement between the City of Detroit and HUD required the City Council to approve a plan to separate the Department from the City and make it more autonomous. The Department presented a plan to the Detroit City Council on January 31, 1996. On March 15, 1996, the Council approved by City Ordinance a plan that will transition personnel functions to a Housing Commission effective May 22, 1996, making them more independent from the City but still subject to the City's Civil Service System.

Within the restrictions of the City Charter, the Commission can be authorized to hire; discipline; discharge; assign duties; transfer and promote employees; and set job descriptions, compensation levels, and performance criteria.

Under Michigan State law, the Commission must participate in the City's Civil Service System. HUD's representative to the Department said the transition plan recommends that all personnel functions be transferred to the Commission as an independent agency by July 1, 1996. The Commission needs to work out the details of the transfer with the Head of the City's Personnel Department in order to ensure all personnel functions are transferred to the Commission to the maximum extent possible considering legal requirements and labor management agreements.

We recommend HUD closely watches the transfer of personnel functions to ensure meetings with the City

result in the maximum transfer of authority permitted by law.

Delays occurred in filling vacant positions. For the last 15 positions filled, the City took an average of seven months to select and hire new employees. In addition, the Department has another 53 positions it is waiting to fill. As of January 26, 1996, the positions were vacant an average of 10 months. Three other housing commissions we contacted all took an average of less than five months to process and start an employee. Expedious processing of new hire requests helps maintain continuity of operations and reduces work backlogs.

The Director said he plans to petition the City's Civil Service Department to obtain authority for the new Commission to directly hire employees. He believes the Commission can conduct the hiring process faster than the City and needs the flexibility to expedite procedures when necessary.

The Department's leadership has changed frequently. Over the last seven years, the Department has had six different Directors. The Department's present Director has held his position since December 18, 1995. He was the Deputy Director from September 1994 to September 1995 and the interim Director from October 1, 1995 to December 18, 1995. The Housing Department's Director said the frequent changes in leadership caused a lack of continuity in policies and procedures.

Because the Detroit Housing Department is a City department, all of its Directors were appointed by the Mayor subject to approval by the City Counsel. Only the current Director and his predecessor, out of the six Directors hired during the last seven years, came as the result of a competitive search that attempted to match an individual's qualifications to the Department's requirements. As a result, the other Directors were not prepared to address the problems of public housing and departed because of their inability to improve the Department.

We recommend HUD assures the new Commission develops procedures that require all future searches for

key positions to be competitive and based on job qualifications.

Department employees were bumped by other City employees. During the last year, the Department did not experience any bumping; however, the Director said, bumping occurred in the past. The bumping was disruptive because the Department's job descriptions were very general and other city employees qualified for housing jobs when they had less than expected qualifications. The Director said the only way to protect the Department against bumping by unqualified personnel is to write job descriptions that are specific to a housing commission.

The Department has hired a consultant to write new job descriptions that will be specific to the operation of a housing commission. If the job descriptions are properly written, only qualified City employees will be able to transfer into housing positions. The consultant said the new position descriptions should be completed by June 30, 1997.

We recommend HUD assures the Department establishes controls to verify the new position descriptions adequately portray the job functions and are completed by June 30, 1997.

The Department's employee evaluation system. The Detroit Housing Department did not have employee performance standards to evaluate its employees. Supervisors evaluated the performance of new employees during an initial probationary period; however, after that, an employee's performance was not evaluated. The Director said the Department did not routinely evaluate employees since it was under the City's Civil Service System and the City did not have procedures to routinely evaluate employees' performance. The City also did not have performance standards. Periodic evaluation of all employees provides managers a means to assess the effectiveness of the work force and make constructive improvements.

The Department has hired a consultant to write performance standards for each job category. The consultant said his

objective is to determine what employees do and how their jobs relate to the Department's goals. He said the standards will be written so they can be used to: evaluate employees' job performance; identify the weak areas in performance to make improvements; determine training needs; and make necessary procedural changes. The consultant plans to finish the performance standards by June 30, 1997. At that time, the Housing Department will have to negotiate with the various unions before the evaluation system can be implemented.

We recommend HUD assures the Department develops performance standards by June 30, 1997; negotiates with the unions; and, uses the standards to periodically evaluate the performance of all employees.

Lines of authority and communications were not clear. The Department has taken steps to improve its lines of authority and communications. The Department reorganized in January 1995 and developed a staffing chart to clarify staff composition and lines of authority. This chart clearly shows the lines of authority and, if followed, should resolve questions of authority.

In December 1995, the Director implemented policies to improve communications. Under the new requirements, all Asset Managers must have a staff meeting with the Director once a week to discuss the status of operations. All Division Heads are required to meet with the Director every two weeks to discuss operations and must also provide the Director a weekly status report in writing. The status reports are copied and provided to each Division Head at bi-weekly staff meetings. Since the new requirements to improve communications were initiated during our review, we could not assess their effectiveness; however, if followed, they appear to be good procedures to address the communication problem.

The Department has also begun to print a periodic newsletter. The letter is distributed to both staff members and tenants. The newsletter is a good way to disseminate information and improve communications with employees and tenants.

We recommend HUD assures the Department implements controls to assess communications and keep new initiatives that improve communication in force.

Employees were not adequately trained. The Department has committed significant resources to train its staff beginning this fiscal year. The Department spent \$94,368 for the first six months of 1996. The expenditure is a large increase over past years when \$16,953 was spent in 1993, \$50,000 in 1994 and \$89,877 in 1995. We discussed the training schedule with HUD's Revitalization Specialist in the Michigan State Office to verify that the planned training was appropriate for a housing authority in the Detroit Department's situation. The Specialist believed the scheduled courses are appropriate and needed by the Department's staff. The schedule included training in areas such as: rent collection, tenant charges, eviction process, unit inspections, purchasing, site based budgeting, computer software, and training on-site based management issues and strategies. If continued, the recent emphasis on training and the types of courses scheduled appear adequate to address past training concerns.

We recommend HUD, assures the Department establishes procedures and controls to effectively assess training needs, and properly fund and complete needed training.

Management's Comments

The Detroit Housing Department has some concerns with this section of the report.

Independent Personnel Functions - The Detroit Housing Department has been continuously working with the City Human Resources Department to obtain more authority over personnel activities. We are optimistic that once negotiations are completed and our administrative services business plan is implemented, the Detroit Housing Department will be able to attract and retain a professional staff. The recommendation that HUD take over personnel functions is contrary to the Partnership Agreement, the "revised" Memorandum of Agreement and the fundamental understanding between HUD and the Detroit Housing Department that control of public housing in Detroit remains locally-based as long as improvement is

maintained. The Detroit Housing Department has proven its commitment to improve and has earned the opportunity to continue to manage its personnel affairs.

Changes in Leadership - It is true that the Detroit Housing Department has experienced frequent change in leadership in the past; however, this instability is largely the result of the previous Mayoral Administration. Since Mayor Archer assumed his position in 1994, the role of Detroit Housing Department Director has been filled by two individuals, both of whom have solid professional credentials in public housing. While there was a change in personnel, the direction to improve the operational and managerial functions of the Detroit Housing Department remained constant. The current Director is building upon the foundation that the previous Director initiated. Divisional General Managers, with professional expertise in their specific field, have been hired to augment the leadership capacity of the Department. In sum, the Detroit Housing Department is better equipped to handle the serious issues of public housing than it has been in several years.

Delays Occurred in Filling Vacant Positions - While the City has been less than timely in the process of filling vacant positions, the Detroit Housing Department has been prompt in the hiring of new employees. Of the fifty-three positions that were not filled as of January 26, 1996, approximately fifty percent were filled as of March 27, 1996. Reassignment of existing staff has helped the Detroit Housing Department maintain the continuity of operations. Training, strategic planning and increased automation have helped the Detroit Housing Department reduce work backlogs.

Employee Evaluation System - Since the City does not have an employee evaluation system, the Detroit Housing Department does not have a system; however, the Detroit Housing Department has taken the initiative to hire a consultant and develop its own system. As a further complication, a large number of the Department's staff members are union employees. Due to the many collective bargaining agreements the City has with the various unions, any employee evaluation system is subject to review before it can be implemented. The Detroit Housing Department is

confident that the employee evaluation system can be developed such that it is acceptable to the unions and can serve as an effective tool to maintain high employee productivity standards.

Clarification of Lines of Authority and Communications -

Through a combination of departmental reorganization (complete with a revised organization plan) and hiring divisional general managers, the Detroit Housing Department has begun the important process of clarifying the lines of authority. A benefit of this clarification is that the Detroit Housing Department will be better positioned to establish employee accountability for work completion. The Detroit Housing Department is also using this clarification to help instill a sense of professionalism in the staff from the "top down".

In addition to staff meetings and the newsletter, the Detroit Housing Department has developed a routing sheet for all contracts. Several divisions (Budget, Program Planning, Purchasing, and the Executive Office) must review and sign off on a contract before it is submitted to the Housing Commission. Under this routing process, the Detroit Housing Department is able to manage contract activities more efficiently and effectively. As it refines its routing system, the Detroit Housing Department is seeking out ways to expand usage of this communication tool.

Employee Training - The Detroit Housing Department has taken a very aggressive approach to employee training. The Detroit Housing Department has committed substantial funding to secure the best training. Using such industry leading training resources as Nan McKay and the Institute for Real Estate Management, the Detroit Housing Department will ensure that its employees receive proper training. The Detroit Housing Department views this allocation of funding as an investment in the employee for the long term benefit of the department.

Evaluation of Comments

As our chapter concludes, the Detroit Housing Department reaffirmed it is taking actions to address past concerns in the personnel area. The recommendation we made in the draft chapter -- if the City does not delegate its authority for personnel functions to the Department, HUD should take

over the personnel functions -- was deleted since it duplicates the recommendation in Chapter 1 that is intended to ensure the Detroit Housing Department gains maximum autonomy within State and local laws. Our review did not question the Department's promptness in hiring personnel, since the City did all the hiring during the period of our review.

Management Information Systems

Previous HUD and consulting reports conducted at the Detroit Housing Department found the Department: (1) did not have a Management Information System Division or committee to ensure the information needs of users were identified and satisfied; (2) did not have an overall comprehensive management information systems plan; (3) needed a new computer accounting system using standard public housing software; and (4) did not have a current needs analysis for computer hardware and software.

Observations

The Department created a Management Information Systems Division and Management Information Systems Committee. In November 1994 the Department created a Management Information Division and promoted an existing Department employee to be the Division Manager. Also, in September 1995 the Department created a Management Information Systems committee. The committee consists of 26 members from various divisions within the Department. The committee meets periodically to identify and satisfy management information system needs. For example, at the committee's January 2, 1996 meeting, it determined that the Memory Lane Inventory Module did not appear to track inventory calculations. The committee took action to resolve the issue with Memory Lane.

The Department developed a management information systems plan. In June 1995, the Department developed a management information systems plan. The plan updates requirements and includes strategies to install an integrated financial management system, provides for intelligent work stations throughout the Department, and provides for access to all required users through the Wide-Area-Network system used to process major business functions.

The integrated financial management system uses public housing software. In early 1995, the Department solicited proposals for property and financial management software services. As a result, Memory Lane Systems' software was selected and a contract was executed in June 1995 for a pilot program to install three primary software modules. The Department accepted the first three modules and executed a second contract to install 14 other software modules.

We found the installation of the Memory Lane Systems' software was proceeding on schedule. As of March 28, 1996, all of the software modules were received and 4 of the 17 modules had been installed. The Department plans to have all of the software modules fully operational by March 1997. At that point, the Department should be able to manage all of its financial and housing activities separate from the City.

Intelligent Work Stations and a wide area network are planned. Since the current system has a limited data sharing capability, the Management Information Systems Plan includes a needs analysis for computer hardware and software as part of its plan to install a network system of computers. The plan includes detailed site network design specifications and map locations for all sites. The network will include over 200 intelligent work stations located at the Central Office, Warehouse and 16 project (remote) sites.

The effort to connect all computer work stations at remote sites and the central offices was on schedule. All of the equipment had been received. Installation of inside wiring for two of the nine phases was complete. The two phases included the Central Office, the Tenant Placement Office and the Jeffries Project's seven buildings. The installation of the external cabling to connect all of the work stations was just beginning. The other seven phases are scheduled to be completed by April 30, 1996.

We recommend HUD assures the Department establishes controls and procedures to complete its management information initiatives and periodically assess information needs.

Management's Comments

The Detroit Housing Department's Management Information Systems Division continues to mature by adding the appropriate mix of personnel which include administrative, technical resources and training to ensure that the Division builds an effective information management system. Specifically, a Master Certified Network Engineer has been added to oversee the development and completion of the Network infrastructure which includes all nineteen remote sites. Also, a Principal Government Analyst has been hired to assume contract

administration, general office administration, and overall project management for the implementation of the network infrastructure. A microcomputer support technician was hired to assist with microcomputer support issues with the staff and support the implementation of the network infrastructure. This is in preparation for the creation of a support/help desk organization for the department. Additionally, the division has initiated an intensive internal training program in the area of network development, procedures and processes to maximize cross training within the division. As the network continues to be developed, additional personnel will be added--specifically, a data base programming staff to support the software infrastructure of the organization.

The Management Information Systems Division developed and is using functional plans outlining the details and schedules for the implementation of the network infrastructure. These plans include the specific road map for the purchase of equipment, steps required for site preparations, equipment distribution schemes, network communications, computer hardware, and software requirements. These plans and schedules are being used as project/management control tools to manage the integrated development and implementation of the network. Based on the current status of equipment delivery, cabling, and software development, there are no major impediments to full system development and operation to support the department's requirements.

Public Housing Software - The department currently uses the work order system as its primary source of information for the work order process. This installation has supported increase efficiencies which allowed close out of 8000 outstanding work orders, 100 percent close out of emergency work orders, on a daily basis, and enhanced monitoring of all work order activity. In addition to the work order module, the department is aggressively implementing the low-income, Section 8, inventory, general ledger modules, with a July 1, 1996 live date for all modules.

Network Infrastructure - It is anticipated that all sites will be on line by the first week in May in order to begin operational testing of the network infrastructure.

Evaluation of Comments

The actions outlined by the Department, when fully implemented and enforced, should resolve the concerns with the management information system that were raised by HUD and previous consultant reports. However, to assure the Department implements and adheres to the initiatives outlined in this chapter, HUD needs to closely monitor the Department's progress in implementing the actions.

Security

Previous consulting reviews conducted on the Detroit Housing Department identified security as the single most important factor facing the Department. The reports found the Department: (1) needed to obtain an in-house police force; and (2) did not have a comprehensive security plan that encompassed all of the approaches necessary to secure the projects and measure effectiveness.

Observations

In-house police force. To combat crime and the numerous security problems at the Department's housing developments, the Department entered into a Security Agreement with the Detroit Police Department. The Agreement established the Department's Public Housing Support Section in February 1995.

The Public Housing Support Section enhances the existing police services provided to the developments by the Detroit Police Department. The Section consists of fifty sworn police officers of the Detroit Police Department. The officers are assigned to work exclusively at the Housing Department's developments. The Section has 1 Inspector; 1 Lieutenant; 7 Sergeants; and 41 Officers.

Responsibilities of the Section include: (1) enforcing all laws, ordinances, regulations, and mandates as they relate to public housing; (2) actively engaging in programs that spawn the improvement in relations between police and the public housing community; (3) educating residents in home and personal security; and (4) proactively combating drug trafficking in and around the developments.

The Section has the cooperation of the Detroit Police Department. The cooperation allows the Section to request and receive assistance from specialized units.

From August through December 1994, the Housing Support Section arrested 361 felons and made 589 misdemeanors arrests. In 1995, the Housing Support Section arrested 865 felons, made 858 misdemeanor arrests, and detained 91 juveniles.

If the Department continues to properly use its Housing Support Section, it should reduce both the opportunity and potential for criminal activity.

Written Security Plan.g The Detroit Housing Department developed a written security plan in May 1995 and is in the process of implementing it. Under the plan the Department's Housing Support Section will: (1) organize, recruit, and train volunteers from the public housing community in the areas of neighborhood watch, community patrol, and crime prevention; (2) identify problems throughout the housing community through resident patrols; (3) develop procedures to report problems directly to the proper authority for immediate action; (4) open a community store; (5) establish working relationships with principals of schools in areas around public housing; (6) interface with the Detroit Fire Department to achieve a safe physical environment; (7) serve as liaison between entities of the Detroit Police Department; (8) reinforce existing vertical patrol and apartment watch programs; (9) increase person to person contact and greater accessibility to the residents of housing developments; and (10) institute a program that promotes the transmission of information from the Housing Support Section to Resident Managers. The Department plans to have the program fully implemented by June 30, 1996.

To evaluate the success of its plan, the Department is developing statistics and measures of effectiveness. The Inspector for the Housing Support Section said the Department is in the process of analyzing crime statistics and should have the measures developed by June 30, 1996.

Although we could not assess the impact of the plan since it was not fully implemented during our review, it appears the plan is having a positive impact at the developments. A letter from the Detroit Police Department's Narcotics Division showed a 33 percent decrease from 1994 to 1995 in the number of complaints emanating from the public housing sector.

We recommend HUD assures the Department establishes controls and procedures to fully implement its security plan by June 30, 1996 and to develop

measures of effectiveness to evaluate the propriety of its security fund expenditures.**Management's Comments**

The Detroit Housing Department Security staff includes Detroit police officers specially assigned to public housing, a private security force and resident lobby monitors. The Detroit Housing Department has forged a strong relationship with the Detroit Police Department. Through our cooperative effort, we have been able to identify and begin reducing criminal activity within our developments. As documented in the report, the number of arrests has increased during the time the Detroit Police Department-Housing Support Section has been active. This increase in number of arrests sends a message to the community that criminal activity will not be tolerated in Detroit Public Housing. The Detroit Police Department not only provides officers dedicated to the Detroit Housing Department, but also provides staff to supervise the private security and supervise and train resident lobby monitors.

Private security enables the Detroit Housing Department to provide 24-hour security at some senior sites which require more attention than a resident lobby monitor can provide, and where it is more cost effective to use private security than it is to use police officers. Resident lobby monitors, trained by Detroit Police officers, provide a valuable service at most senior sites by doing periodic walk through buildings and monitoring the access to the buildings. With resident lobby monitors, unauthorized access is limited and more problems are kept out of our buildings.

Two other areas are security through design, and community policies. At both of our Home Ownership Opportunities for Everyone VI sites (Parkside and Jeffries), our consultants included the issue of security in their research and analysis of existing site conditions. The concept of "defensible space" was one of the many determinant factors which shaped the physical configurations of site plans and building design. The Detroit Housing Department intends to apply the lessons learned from these redevelopment efforts in all of our major renovations. The Detroit Housing Department is in the process of establishing a formal set of community policies. These community policies will address such issues as

standards of conduct for continued unit occupancy and tenant screening prior to unit occupancy. Our residents will have input into these community policies.

The OIG report correctly notes how serious the need for security is and should consider the need for outside funding to support the many successful efforts underway in Detroit Public Housing. The Detroit Housing Department recognizes that a several year contract with the Detroit Police Department at the current levels of expenditures is not likely to be possible nor necessarily desirable. Police have been needed and will continue to be needed for the near future, however, to maintain security and help institute less costly systems (such as lobby monitoring, resident patrols, etc.). The threat of reductions in Public Housing Drug Elimination Program funding and Public Housing Technical Assistance Grant funding would seriously impede our security efforts that have been made to date. Continued financial support for these successful programs will be essential in the near future to enable the Detroit Housing Department to meet its overall mission to provide decent, safe and sanitary housing.

Evaluation of Comments

The Detroit Housing Department is taking appropriate actions to address concerns with security that were raised by HUD and previous consultant reports. However, to assure the Housing Department fully implements and consistently follows the outlined initiatives, HUD needs to closely monitor the Department's progress in implementing the actions.

We agree that the Housing Department will require financial support to successfully continue its security programs. Because of the possible reductions in some program areas, this funding may have to be derived from different sources than in the past.

We recommend HUD assist the Department in identifying and obtaining funds needed to maintain a successful security program.

Vacancy Reduction Schedule

Following is implementation schedule for the Department's Vacancy Reduction Plan:

<u>Finish Date</u>	<u>Work Description</u>
7/10/95	Completed extensive repair of 42 vacant units at Jeffries East.
7/10/95	Completed extensive repair of eight vacant units at Sojourner Truth.
2/8/96	Procure manuals and videos which will be used as reference books to effectively operate Public Housing Programs.
3/30/96	Purchase communication equipment to address mobile communication needs of the site-based maintenance staff, and other equipment essential to effective maintenance operations that support a reduction in vacancies.
4/30/96	Construct security fences and related landscaping at Smith Homes.
4/30/96	Purchase trucks for sites participating in the vacancy reduction program.
5/2/96	Develop procedures to provide staff with an appropriate occupancy plan, establish screening procedures for potential residents, establish site-based waiting lists and site based admissions and occupancy plans.
5/15/96	Comprehensively rehabilitate 112 vacant units at building 502, Jeffries West.
5/15/96	Comprehensively rehabilitate vacant units at Douglas Building 1306.
5/15/96	Remove handicapped barriers in eight units at Douglas building 1306.
6/30/96	Install security fence at Forest Park.

7/18/96	Comprehensively rehabilitate 61 vacant units at Forest Park.
8/31/96	Purchase access systems, monitors and other hardware essential to providing technology-based security services.
8/31/96	Purchase facsimile machines and copiers for each vacancy reduction plan site and the central office.
8/31/96	Comprehensively rehabilitate 92 occupied units at Warren West.
8/31/96	Repair and properly maintain 15 vacant units at State Fair Apartments.
9/15/96	Install security fence and related landscaping at Jeffries East.
9/15/96	Repair and stabilize other buildings at Jeffries West.
9/30/96	Purchase and install integrated public housing software and train designated staff.
9/30/96	Comprehensively rehabilitate 19 vacant units at Diggs Homes.
11/30/96	Modernize 11 pairs of handicapped accessible units at State Fair.
11/30/96	Repair and properly maintain 29 vacant units at Harriet Tubman Apartments.
11/30/96	Modernize 11 pairs of handicapped accessible units at Harriet Tubman.
11/30/96	Repair and properly maintain 18 vacant units at Sheridan Place I.
11/30/96	Remove handicapped barriers in 11 units at Sheridan Place I.
11/30/96	Repair and properly maintain 15 vacant units at Sheridan Place II.

11/30/96	Remove handicapped barriers in 10 units at Sheridan Place II.
12/15/96	Comprehensively rehabilitate 103 vacant units at Douglas building 1302.
12/15/96	Remove handicapped barriers in nine units at Douglas building 1302.
12/15/96	Comprehensively rehabilitate 336 vacant units at building 401, 404 and 503, Jeffries West.
12/17/96	Develop site-based management for maintenance and establish operations work plans.
12/17/96	Develop site based management work plans for the purpose of effectuating on-site management at each site, which will include operations, rent collection, tenant placement, application processing, etc..
12/26/96	Train maintenance staff on maintenance management and practices.
12/30/96	Modernize seven handicapped accessible units at Forest Park.
12/30/96	Comprehensively rehabilitate 36 occupied units at Forest Park.
12/30/96	Comprehensively rehabilitate 46 vacant units at Smith Homes.
12/31/96	Install server computer and client software at the central office and install computers and software at remote site locations.
12/31/96	Hire a Capital Planning Consultant to develop, evaluate and monitor the vacancy reduction program. The consultant will serve as an evaluator of the program plan and monitor the quality and progress of work and completion schedules.
12/31/96	Train staff on project based accounting, budgeting, occupancy and management of public housing

	developments. Managers are also to be trained as Certified Property Managers by the Institute of Real Estate Management.
12/31/96	Hire Job Order Contracting System development firm to facilitate the establishment of improved contracting for vacancy reductions.
12/31/96	Hire a consultant to develop market study and plan. This plan will allow the Department to market units as vacancies are reduced. The plan is needed to determine bedroom distribution and demand for low income housing in Detroit.
12/31/96	Implement security services which will include private security guards and Detroit Police Officers.
12/31/96	Prepare updated job descriptions, training plans for current staff, career path development, and procedures to carry out Human Resource Management.
12/31/96	Hire a Vacancy Coordinator, Department staff, to develop, evaluate and monitor Vacancy Reduction Program activities. The person will serve as the implementing staff coordinator of the program and plan.
12/31/96	Hire Job Order Contracting System Coordinators to plan and develop scopes of work and specifications with costs estimates for reduction in vacant units and tracking and coordinating activities for unit repair.
12/31/96	Hire Occupancy Specialists to carry out the requirements of the occupancy plan and certification and recertification of applicants and participants in various housing programs.
12/31/96	Comprehensively rehabilitate 14 vacant units at Charles Terrace.
12/31/96	Comprehensively rehabilitate 68 vacant units at Warren West.

12/31/96	Modernize 11 handicapped accessible units at Warren West.
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12/31/96	Install security fencing at Jeffries West.
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Recommendations

Following is a consolidated list of recommendations to HUD. HUD needs to aggressively follow the Department's progress in correcting its problems and:

Agreements With HUD

- 1A. Assure the Department follows through on all the actions it has initiated and planned to meet the targets in the Agreements. If the Department and City do not follow through to meet the agreed upon targets, HUD should seek a receiver for the Department.

Vacancy Reduction/Unit Turnaround

- 2A. Assure the Department implements a job order contracting system by December 31, 1996 and hires a vacancy reduction consultant by May 31, 1996.
- 2B. Continue to closely watch the Department's progress in implementing all Memorandum of Agreement strategies and Partnership requirements, relative to vacancy reduction and unit turnaround by the revised Memorandum of Agreement report date of July 1, 1996, with the exception of procedures for vacant unit repair and reoccupancy which the Memorandum of Agreement requires to be written by March 31, 1996. HUD should provide technical advice and assistance or take other corrective measures should the Department's progress significantly deviate from the plan.
- 2C. Assure the Department immediately implements the new unit turnaround procedures at stable sites, evaluates them, adjusts them as necessary, and then implements them department wide by December 31, 1996.

Maintenance

- 3A. Continue to closely watch the Department's progress in implementing and following the preventive maintenance program. The program should include effective preventive maintenance work requirements, assessments of resources needed, priorities, and quality control inspections. HUD should provide technical advice and assistance or take other corrective measures should the Department's progress significantly deviate from the plan.

Modernization Programs

- 3B. Closely follow the Department's progress in implementing its site based maintenance initiative by June 30, 1997. HUD needs to take corrective actions if the Department significantly deviates from its plan.
- 3C. Assure the Department reassess its staffing needs upon completion of its maintenance and modernization efforts.
- 3D. Assure the Department establishes procedures and controls to complete work orders in a timely manner and confirms the work was adequately accomplished.
- 3E. Require the Department develop needed procedures and accountability controls to allow development managers to use blanket purchase orders to obtain routine materials.
- 3F. Assure the Department establishes standards and a system to evaluate the performance of its maintenance staff directly responsible for resolving work orders.
- 4A. Assure the Department uses completed market studies for planning before starting new contractual work on which the studies may have an impact.
- 4B. Assure the Department complies with all aspects of Title 24 of the Code of Federal Regulations, Section 8.22 at Smith Homes, Charles Terrace, and all other developments that qualify.
- 4C. Assure the Department establishes procedures and controls to comply with the payment procedures in the Department's contracts.
- 4D. Closely watch the Department's progress in obligating Comprehensive Grant Funds for needed requirements. HUD should assure appropriate corrective measures are taken if the Department begins to lag in the expeditious obligation of the funds.

Inspections

- 5A. Assure the Department develops procedures and controls to complete all inspections by January 8, 1997 and brings all units up to HUD's Housing Quality and the Department's preventive maintenance standards.
- 5B. Assure the Department develops procedures for personnel to understand and follow inspection requirements.

Admission and Continued Occupancy Policy

- 6A. Assure the Department implements the new admissions and continued occupancy procedures expeditiously.
- 6B. Assure the Department implements a system of written communication between maintenance personnel making units ready for occupancy and the Tenant Placement Office.

Tenant Evictions

- 7A. Assure the Department establishes procedures and controls to implement and enforce the new rent collection policy.
- 7B. Assure the Department maintains an active liaison with the District Court.

Contract Award Procedures

- 8A. Assure the Department develops methods and controls to increase contract competition.
- 8B. Assures the Department develops controls and procedures to prepare cost estimates to assess reasonableness before awarding service contracts and document its reviews of contractor payment vouchers submitted for completed work.

Efficiency and Adequacy of Purchasing Procedures

- 9A. Assure the Department establishes monitoring controls to assess whether the increase in staff alleviates the untimely processing of requisitions. If the requisitions are still not processed timely, the Department needs to determine why and take corrective action.
- 9B. Immediately evaluate the revised procedures, communicate the results to the Department and

Accounting Systems and Controls

assure the Department develops controls to immediately include Section 3 requirements in all contracts.

- 10A. Closely watch the Department's progress in implementing the new accounting system by June 30, 1996. Once the system is fully implemented and operational, the Department should stop using its internal system for HUD reporting and the City's system. The accounting staff should also be fully trained by June 30, 1996.
- 10B. Assure the Department receives the written policies and procedures by April 28, 1996 and fully implements them by June 30, 1996.
- 10C. Closely watch the development of the internal audit work plan and take any corrective actions necessary to assure internal audit work is initiated by June 15, 1996.

Untimely Payments to Vendors

- 11A. Assure the Department implements controls and procedures for timely payment of vendor invoices. The Department should receive the consultant review results by April 28, 1996 and should develop a method to evaluate their effectiveness.

Tenants' Accounts Receivable

- 12A. Assure the Department establishes controls and procedures to implement and enforce the new rent collection procedures.
- 12B. Assure the Department establishes controls to enforce the new 10/10 program. All delinquent tenants that meet the program criteria should have an agreement by April 15, 1996, or the Department should have initiated lease enforcement actions.
- 12C. Assure the Department obtains the services of a credit bureau by June 30, 1996 and continues to solicit the services of a collection agency.

Inventory of Fixed Assets and Supplies and Materials

- 13A. Strongly encourage the Department to update its Capitalization Policy to only capitalize items over \$500 with a useful life of at least one year. Also,

the Department should control its ranges and refrigerators by recording the items in the tenant lease files.

Personnel Practices

13B. Assure the Department develops and implements materials inventory and fixed assets inventory systems by June 30, 1996. The Department should establish controls so all inventories have been taken by December 31, 1996.

14A. Closely watch the transfer of personnel functions to ensure meetings with the City result in the maximum transfer of authority permitted by law.

14B. Assures the new Commission develops procedures that require all future searches for key positions to be competitive and based on job qualifications.

14C. Assure the Department establishes controls to verify the new position descriptions adequately portray the job functions and are completed by June 30, 1997.

14D. Assure the Department develops performance standards by June 30, 1997; negotiates with the unions; and, uses the standards to periodically evaluate the performance of all employees.

14E. Assure the Department implements controls to assess communications and keep new initiatives that improve communication in force.

14F. Assure the Department establishes procedures and controls to effectively assess training needs, and properly fund and complete needed training.

Management Information System

15A. Assure the Department establishes controls and procedures to complete its management information initiatives and periodically assess information needs.

Security

16A. Assure the Department establishes controls and procedures to fully implement its security plan by June 30, 1996 and to develop measures of effectiveness to evaluate the propriety of its security fund expenditures.

- 16B. Assist the Department in identifying and obtaining funds needed to maintain a successful viable program.

Distribution

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